

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Potterville	County Eaton
Audit Date 6/30/04	Opinion Date 1/14/05	Date Accountant Report Submitted to State: 2/25/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

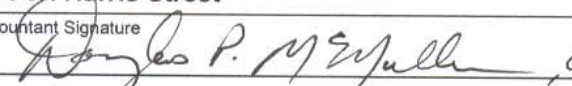
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
		ZIP 49601	
Accountant Signature 		Date 2/08/05	

CITY OF POTTERVILLE, MICHIGAN

JUNE 30, 2004

CITY OF POTTERVILLE, MICHIGAN
JUNE 30, 2004

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134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER., C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 14, 2005

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Pottersville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pottersville, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pottersville, Michigan, management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Tax Increment Finance Authority which represent 100 percent of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information of the City of Pottersville, Michigan, at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as of July 1, 2003.

The management’s discussion and analysis and budgetary comparison information on pages iii through xi and 39 through 40, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Potterville, Michigan’s basic financial statements. The introductory section, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, and other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.

CITY OF POTTERVILLE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2004

The management of the City of Potterville, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- ❖ The assets of the City exceeded its liabilities at the close of this fiscal year by \$6,078,855 (shown as *Net Assets*), representing a decrease of \$27,940 over the previous fiscal year. Governmental Funds had a decrease of \$35,522 for the year, while Business-Type activities had an increase of \$7,582 of the net decrease of \$27,940.

Fund Level Financial Highlights

- ❖ As of June 30, 2004, the governmental funds of the City of Potterville reported combined ending fund balances of \$472,035, of which \$422,289 is unreserved.
- ❖ The unreserved fund balance of the City's General Fund decreased this year to \$129,682, or 21.9% of total general fund expenditures.

Long-Term Debt

- ❖ The City of Potterville's total debt **decreased** by \$148,442 during the fiscal year.

Overview of the Financial Statements

The City of Potterville's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements For the first time, this report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the City's financial position. The Statement of Net Assets and the Statement of Activities are two new financial statements that report information about the City as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the City's assets and liabilities, the difference between the two being reported as the Net Assets of the City. Over

CITY OF POTTERVILLE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2004

time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the City is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the City include water and sewer utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The City's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund, Park Fund, Storm Drain Bonds, and Sunset Special Assessment. The major Proprietary Funds include the Water and Sewer Funds. Presentation of major funds can be found on pages 4, 5, 7, 8, 10, 11 and 12 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The City of Potterville uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the City's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not

CITY OF POTTERVILLE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2004

include any capital items or long-term debt. Governmental funds for the City include the General Fund as well as the special revenue, and debt service funds.

Proprietary Funds Proprietary funds account for services for which the City charges its customers for the services they are provided. These charges can be to external customers or other agencies within the City. There are two types of proprietary funds:

- Enterprise funds are used to report business-like activities of the City. These activities intend to recover the full cost of the services through the fee charged to the customers. The City has two enterprise funds, which are the Water Fund and Sewer Fund.
- Internal Service funds are the second type of proprietary funds. These funds provide services to other departments within the City. These funds allow the City to allocate costs of centralized services such as the City's vehicle fleet. The City has one internal service fund, the Equipment Pool Fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the City's programs. These funds are accounted for using the full accrual method of accounting, much like the Proprietary funds.

Component Units The City's financial statements include reporting on separate legal entities for which the City has some level of financial responsibility. These funds are shown in a separate column. The City's component units include the Tax Increment Financing Authority.

Joint Venture The City of Potterville and Benton Township entered into an interlocal agreement for the purpose of providing fire and emergency services to their respective units. Both local governmental units have an undivided 50% joint ownership of the Fire Department and its operation. The Fire Department issues its own financial statements and they are not included in this report.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on page 16 of this report.

CITY OF POTTERVILLE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2004

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found beginning on page 39 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the City's financial position over time. The Net Assets of the City are \$6,078,855 at June 30, 2004, meaning that the City's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore only one year of data is shown. A useful comparative analysis will be presented in future years when the information is available.

City of Potterville					
Net Assets as of June 30, 2004					
	Governmental		Business-Type		Total Primary
	Activities		Activities		Government
Current and other assets	\$ 746,171	\$	616,053	\$	1,362,224
Capital Assets	2,668,253		4,382,264		7,050,517
Total Assets	\$ 3,414,424	\$	4,998,317	\$	8,412,741
Long-term liabilities	\$ 1,018,109	\$	987,502	\$	2,005,611
Other liabilities	242,736		85,539		328,275
Total Liabilities	\$ 1,260,845	\$	1,073,041	\$	2,333,886
Net Assets					
Invested in capital assets					
net of related debt	\$ 1,523,880	\$	3,347,087	\$	4,870,967
Restricted	49,746		0		49,746
Unrestricted	579,953		578,189		1,158,142
Total Net Assets	\$ 2,153,579	\$	3,925,276	\$	6,078,855

The most significant portion of the City's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City has \$1,158,142 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by City policies regarding their use.

CITY OF POTTERVILLE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2004

The total net assets of the City decreased \$27,940 in this fiscal year. The following table illustrates and summarizes the results of the changes in the Net Assets for the City. The condensed information was derived from the government-wide Statement of Activities.

**City of Potterville
Change in Net Assets
for the Fiscal Year Ended June 30, 2004**

	Governmental Activities	Business-Type Activities	Total Primary Government
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$ 34,684	\$ 381,302	\$ 415,986
Operating Grants and Contributions	143,210	0	143,210
General Revenues			
Property Taxes and Assessments	409,347	0	409,347
State Shared Revenue	226,454	0	226,454
Unrestricted Investment Earnings	15,554	271	15,825
Intergovernmental Revenue	80,544	0	80,544
Other	75,872	89,739	165,611
Total Revenues	\$ 985,665	\$ 471,312	\$ 1,456,977
<u>Expenses</u>			
Legislative	\$ 10,915	\$ 0	\$ 10,915
General Government	267,043	0	267,043
Public Safety	213,742	0	213,742
Public Works	154,832	0	154,832
Recreation and Culture	75,865	0	75,865
Other Functions	66,651	0	66,651
Depreciation	158,563	0	158,563
Interest on Long-Term Debt	73,576	0	73,576
Water and Sewer	0	463,730	463,730
Total Expenses	\$ 1,021,187	\$ 463,730	\$ 1,484,917
Increase (Decrease) in Net Assets	(35,522)	7,582	(27,940)
Beginning Net Assets	2,189,101	3,917,694	6,106,795
Ending Net Assets	\$ 2,153,579	\$ 3,925,276	\$ 6,078,855

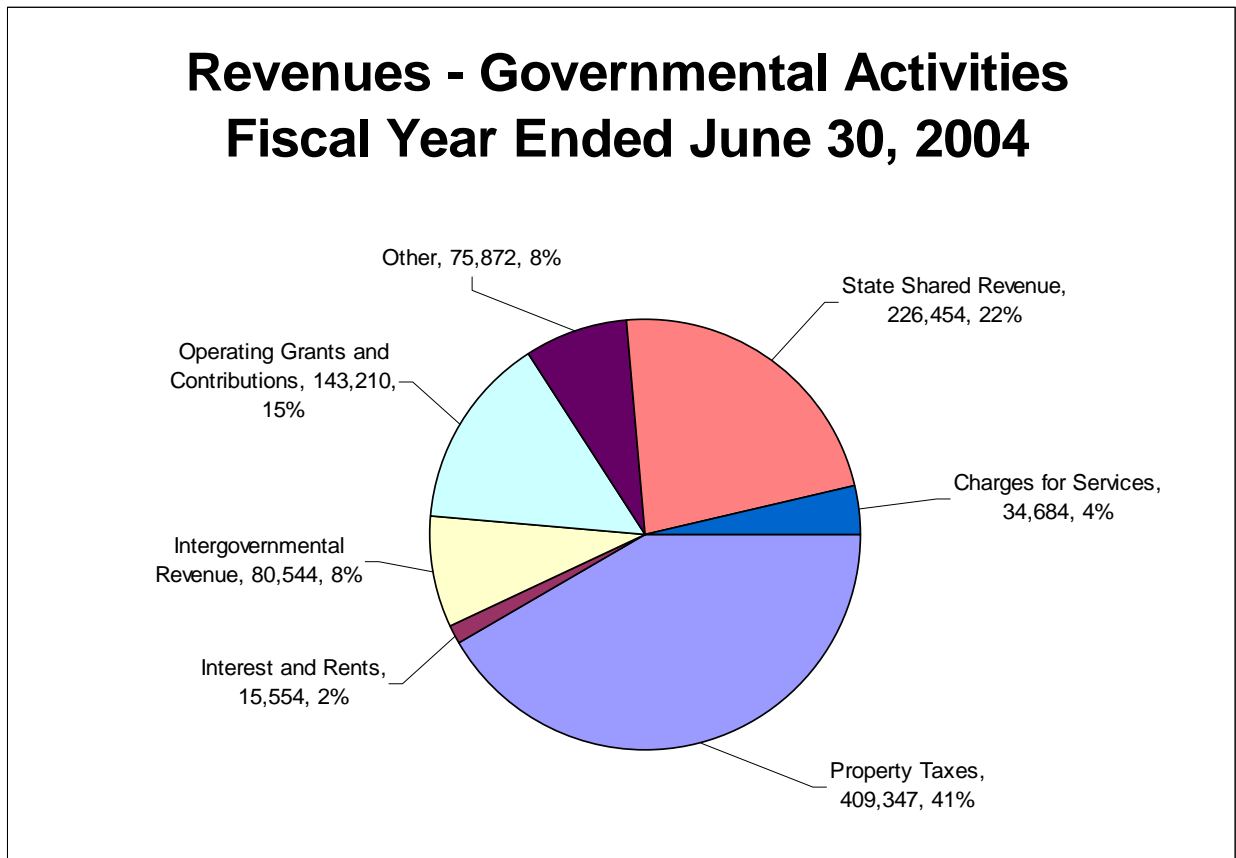
CITY OF POTTERVILLE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2004

Governmental Activities

The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended June 30, 2004:



The most significant portion of the revenue for all governmental activities of the City of Potterville comes from Property Taxes (41%). The City's millage as the charter allows is 15.00 mills for operations.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2004, the amount of state shared revenue received by the City trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

CITY OF POTTERVILLE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2004

The City's governmental activities expenses are dominated by the General Government expenses that total 26.2% of total expenses. The City spent \$267,043 in FY2004 on General Government. Public Safety represented the next largest expense at \$213,742, or 20.9% of total expenses within the governmental activities.

Business-Type Activities

These activities accounted for an increase of \$7,582 in the City's Net Assets.

The Business-Type activities of the City include the Water Fund and Sewer Fund, which provide water and sewer utility services to City residents as well as commercial customers.

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the City's fiscal year ended June 30, 2004, its governmental funds reported fund balances of \$472,035. Of this amount, \$422,289, or 89.5% is unreserved. Of this amount \$292,607 of unreserved and undesignated fund balance exists in the City's Special Revenue funds. The remaining \$49,746 of fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

General Fund – The General Fund is the main operating fund of the City. The General Fund decreased its fund balance in this fiscal year by \$77,433, bringing the balance to \$129,682. Unreserved fund balance decreased by \$77,433. The General Fund's major functions that ended the year with expenditures above appropriated amounts include: General Government, Public Works and Other Functions. Interest income for the General Fund was reduced by \$6,969, or 83% due to current market conditions producing reduced rates of return. Property tax revenues in the General Fund increased \$15,792 in 2004, an increase of 4%. State shared revenue decreased by \$17,920 from the amount received in the previous fiscal year, representing a 7% reduction which resulted from State actions in response to the economic slowdown experienced throughout the State.

Major Street Fund – The Major Street Fund made progress on the improvements for Vermontville Highway in this fiscal year. The project is expected to be completed in the summer of 2005. The fund balance of the Major Street Fund ended the year at \$212,787. This was an increase of \$107,372 from the previous year.

Local Street Fund – The fund balance of this fund is at \$79,302, an increase of \$12,000 during this fiscal year.

CITY OF POTTERVILLE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2004

Proprietary Funds The City's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$314,580 in unrestricted net assets. However, the total operating revenues of the fund decreased from \$249,847 in FY2003 to \$233,901 in 2004. This fund experienced a decrease in interest income of \$3,212, or 99% from the previous fiscal year. The net assets of the fund increased by \$60,387.

Sewer Fund – The Sewer Fund ended this fiscal year with \$252,351 in unrestricted net assets. However, the total operating revenues decreased from \$201,742 in FY2003 to \$168,140 in 2004. The fund experienced a decrease in interest income of \$182, or 42% from the previous fiscal year. The net assets of the fund decreased by \$39,304.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for the governmental and business-type activities as of June 30, 2004 amounted to \$7,050,517 (net of accumulated depreciation). Capital assets of the City include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The City has invested in a broad range of capital assets, as detailed below:

City of Potterville
Capital Assets as of June 30, 2004

	Governmental Activities	Business-Type Activities	Total Primary Government
Land and Land Improvements	\$ 223,263	\$ 260,076	\$ 483,339
Infrastructure	2,729,264	5,561,466	8,290,730
Buildings	531,027	0	531,027
Improvements other than Buildings	1,151,225	0	1,151,225
Machinery and Equipment	131,485	862,727	994,212
Subtotal	<u>4,766,264</u>	<u>6,684,269</u>	<u>11,450,533</u>
Accumulated Depreciation	<u>2,098,011</u>	<u>2,302,005</u>	<u>4,400,016</u>
Net Capital Assets	<u>\$ 2,668,253</u>	<u>\$ 4,382,264</u>	<u>\$ 7,050,517</u>

Major capital asset events during FY2004 included the following:

- Water System improvements were completed in 2004 at a cost of \$800,388.

Additional information regarding the City's capital assets can be found in the Notes to Financial Statements section on pages 27-29.

CITY OF POTTERVILLE, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2004

Long-Term Debt. As of June 30, 2004, the City had total bonded debt outstanding of \$2,111,000. Of this amount, \$1,790,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources. The revenue bonds are from the Sewer Fund (\$321,000), which are backed by revenues from the Sewer system and have been used to finance major capital projects within the Sewer system.

*City of Potterville Outstanding Debt
General Obligation and Revenue Bonds
as of June 30, 2004*

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total Primary</u> <u>Government</u>
General Obligation Bonds	\$ 1,105,000	\$ 685,000	\$ 1,790,000
Contracts and Notes	74,249	17,947	92,196
Revenue Bonds	0	321,000	321,000
Total	\$ <u>1,179,249</u>	\$ <u>1,023,947</u>	\$ <u>2,203,196</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation based on the City's assessed valuation of \$35,668,050 is \$3,566,805, which is significantly in excess of the City's outstanding general obligation debt of \$ 1,790,000.

The City issued no new debt in FY2004, and the total debt decreased from \$2,351,638 at June 30, 2003, a net reduction of \$148,442. More information on the City's long-term debt is available in the Notes to Financial Statements section of this document, on pages 31-35.

Contacting the City's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the City's finances and demonstrate the City's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the City of Potterville, City Clerk, 319 N. Nelson St., Potterville, Michigan 48876, or call us at (517) 645-7641.

The financial reports for the Tax Increment Financing Authority, a component unit of the City, can be obtained by contacting City of Potterville Tax Increment Financing Authority, 319 North Nelson, Potterville, Michigan 48876 .

The financial reports for the Potterville-Benton Township Fire Department, a joint venture of the City, can be obtained by contacting Potterville-Benton Township Fire Department, 4713 Hartel Road, Potterville, Michigan 48876.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Tax Increment Financing Authority</u>
<u>Assets</u>				
<u>Current Assets</u>				
Cash	\$ 407,910	\$ 503,922	\$ 911,832	\$ 308,126
Investments - Certificate of Deposit	0	0	0	73,540
Accounts Receivable	999	32,114	33,113	406
Special Assessments Receivable	202,939	0	202,939	0
Due from Other Governments	166,335	0	166,335	0
Due from Component Unit	1,028	0	1,028	0
Internal Balances	(35,540)	35,540	0	0
Debt Issuance Costs, Net of Amortization	0	0	0	28,595
Restricted Assets				
Permanently Restricted				
Cash	2,500	44,477	46,977	0
Total Current Assets	\$ 746,171	\$ 616,053	\$ 1,362,224	\$ 410,667
<u>Non Current Assets</u>				
Capital Assets	\$ 4,766,264	\$ 6,684,269	\$ 11,450,533	\$ 0
Less Accumulated Depreciation	(2,098,011)	(2,302,005)	(4,400,016)	0
Total Non Current Assets	\$ 2,668,253	\$ 4,382,264	\$ 7,050,517	\$ 0
TOTAL ASSETS	\$ 3,414,424	\$ 4,998,317	\$ 8,412,741	\$ 410,667

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-type</u>		<u>Tax Increment</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Financing Authority</u>
<u>Liabilities and Net Assets</u>				
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$ 36,373	\$ 12,320	\$ 48,693	\$ 12,000
Bank Overdraft	7,596	7,597	15,193	0
Accrued Interest Payable	10,427	11,230	21,657	4,934
Customer Deposits Payable	0	12,900	12,900	0
Pension Payable	26,255	5,047	31,302	0
Due to Primary Government	0	0	0	1,028
Payroll Liabilities	945	0	945	0
Compensated Absences	45,303	0	45,303	0
Current Portion of Non Current Liabilities	115,837	36,445	152,282	45,000
Total Current Liabilities	<u>\$ 242,736</u>	<u>\$ 85,539</u>	<u>\$ 328,275</u>	<u>\$ 62,962</u>
<u>Non Current Liabilities</u>				
Bonds Payable	\$ 1,105,000	\$ 1,006,000	\$ 2,111,000	\$ 540,000
Notes Payable	10,999	0	10,999	0
Equipment Contracts Payable	17,947	17,947	35,894	0
Less Current Portion of Non Current Liabilities	<u>(115,837)</u>	<u>(36,445)</u>	<u>(152,282)</u>	<u>(45,000)</u>
Total Non Current Liabilities	<u>\$ 1,018,109</u>	<u>\$ 987,502</u>	<u>\$ 2,005,611</u>	<u>\$ 495,000</u>
Total Liabilities	<u>\$ 1,260,845</u>	<u>\$ 1,073,041</u>	<u>\$ 2,333,886</u>	<u>\$ 557,962</u>
<u>Net Assets</u>				
Invested in Capital Assets				
Net of Related Debt	\$ 1,523,880	\$ 3,347,087	\$ 4,870,967	\$ (544,934)
Restricted for Debt Service	49,746	0	49,746	0
Unrestricted	579,953	578,189	1,158,142	397,639
Total Net Assets (Deficit)	<u>\$ 2,153,579</u>	<u>\$ 3,925,276</u>	<u>\$ 6,078,855</u>	<u>\$ (147,295)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,414,424</u>	<u>\$ 4,998,317</u>	<u>\$ 8,412,741</u>	<u>\$ 410,667</u>

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Primary Government			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions				Tax Increment Financing Authority
				Governmental Activities	Business-type Activities	Total	
<u>Primary Government</u>							
Governmental Activities							
Legislative	\$ 10,915	\$ 0	\$ 0	\$ (10,915)	\$ 0	\$ (10,915)	\$ 0
General Government	267,043	0	0	(267,043)	0	(267,043)	0
Public Safety	213,742	0	1,195	(212,547)	0	(212,547)	0
Public Works	154,832	0	142,015	(12,817)	0	(12,817)	0
Recreation and Culture	75,865	34,684	0	(41,181)	0	(41,181)	0
Other Functions	66,651	0	0	(66,651)	0	(66,651)	0
Debt Service - Interest on Long Term Debt	73,576	0	0	(73,576)	0	(73,576)	0
Unallocated Depreciation	158,563	0	0	(158,563)	0	(158,563)	0
Total Governmental Activities	\$ 1,021,187	\$ 34,684	\$ 143,210	\$ (843,293)	\$ 0	\$ (843,293)	\$ 0
Business-type Activities							
Water	\$ 219,011	\$ 218,262	\$ 0	\$ 0	\$ (749)	\$ (749)	\$ 0
Sewer	244,719	163,040	0	0	(81,679)	(81,679)	0
Total Business-type Activities	\$ 463,730	\$ 381,302	\$ 0	\$ 0	\$ (82,428)	\$ (82,428)	\$ 0
Total Primary Government	\$ 1,484,917	\$ 415,986	\$ 143,210	\$ (843,293)	\$ (82,428)	\$ (925,721)	\$ 0
Component Unit							
Tax Increment Financing Authority	\$ 144,247	\$ 0	\$ 2,049				\$ (142,198)
<u>GENERAL REVENUES</u>							
Property Taxes				\$ 409,347	\$ 0	\$ 409,347	\$ 168,501
State Shared Revenue				226,454	0	226,454	0
Fines and Forfeits				627	0	627	0
Interest and Rents				15,554	271	15,825	0
Intergovernmental Revenue				80,544	0	80,544	0
Other Revenues				75,245	89,739	164,984	0
Total General Revenues				\$ 807,771	\$ 90,010	\$ 897,781	\$ 168,501
Change in Net Assets				\$ (35,522)	\$ 7,582	\$ (27,940)	\$ 26,303
<u>NET ASSETS</u> - Beginning of Year				2,189,101	3,917,694	6,106,795	(173,598)
<u>NET ASSETS</u> - End of Year				\$ 2,153,579	\$ 3,925,276	\$ 6,078,855	\$ (147,295)

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2004

	General Fund	Major Streets Fund	Local Streets Fund	Park Fund	Sunset Hills Special Assessment Fund	Storm Drain Debt Fund	Total Governmental Funds
<u>Assets</u>							
Cash	\$ 75,888	\$ 192,250	\$ 68,503	\$ 2,749	\$ 45,912	\$ 3,834	\$ 389,136
Receivables (Net, Where Applicable of Allowances for Uncollectables)							
Accounts	999	0	0	0	0	0	999
Special Assessments	0	0	0	0	149,723	53,216	202,939
Due From Other Governments	73,999	65,949	24,780	0	0	0	164,728
Due From Component Unit	1,028	0	0	0	0	0	1,028
Due From Other Funds	61,291	1,728	470	2,000	0	0	65,489
 TOTAL ASSETS	 \$ 213,205	 \$ 259,927	 \$ 93,753	 \$ 4,749	 \$ 195,635	 \$ 57,050	 \$ 824,319
<u>Liabilities and Fund Balance</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 28,859	\$ 1,257	\$ 1,123	\$ 3,704	\$ 0	\$ 0	\$ 34,943
Pension Payable	6,749	366	358	527	0	0	8,000
Due to Other Funds	47,915	45,517	12,970	0	0	0	106,402
Deferred Revenue	0	0	0	0	149,723	53,216	202,939
 Total Liabilities	 \$ 83,523	 \$ 47,140	 \$ 14,451	 \$ 4,231	 \$ 149,723	 \$ 53,216	 \$ 352,284

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2004

	General Fund	Major Streets Fund	Local Streets Fund	Park Fund	Sunset Hills Special Assessment Fund	Storm Drain Debt Fund	Total Governmental Funds
<u>Fund Balance</u>							
Reserved for Debt Service	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,912	\$ 3,834	\$ 49,746
Designated for:							
Budget Stabilization	57,599	0	0	0	0	0	57,599
Imagination Station	3,670	0	0	0	0	0	3,670
Unreserved, Undesignated	68,413	212,787	79,302	518	0	0	361,020
Total Fund Balances	\$ 129,682	\$ 212,787	\$ 79,302	\$ 518	\$ 45,912	\$ 3,834	\$ 472,035
TOTAL LIABILITIES AND FUND BALANCE	\$ 213,205	\$ 259,927	\$ 93,753	\$ 4,749	\$ 195,635	\$ 57,050	\$ 824,319

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2004

Total Governmental Fund Balances		\$ 472,035
Amounts reported for governmental activities in the statement of net assets are different because:		
Adjustment to reflect the consolidation of Internal Service Fund activities, Agency Funds activities, related to governmental funds.		17,842
Long-term receivables are not available to pay current period expenditures and therefore are deferred in governmental funds		
Special Assessments Receivable		202,939
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	4,634,779	
Accumulated depreciation is	<u>(2,002,287)</u>	2,632,492
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds, Notes and Contracts Payable		(1,115,999)
Accrued Interest Payable		(10,427)
Compensated Absences		<u>(45,303)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 2,153,579</u>

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	General Fund	Major Streets Fund	Local Streets Fund	Park Fund	Sunset Hills Special Assessment Fund	Storm Drain Debt Fund	Total Governmental Funds
<u>Revenues</u>							
Taxes	\$ 409,347	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 409,347
Licenses and Permits	1,195	0	0	0	0	0	1,195
State Grants	234,987	98,070	36,827	0	0	0	369,884
Charges for Services	0	0	0	27,939	0	0	27,939
Fines and Forfeits	627	0	0	0	0	0	627
Interest and Rents	1,423	827	499	5,463	9,953	2,852	21,017
Other Revenue	70,611	1,728	0	2,773	40,725	5,622	121,459
Total Revenues	\$ 718,190	\$ 100,625	\$ 37,326	\$ 36,175	\$ 50,678	\$ 8,474	\$ 951,468
<u>Expenditures</u>							
Legislative	\$ 10,915	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,915
General Government	223,418	0	0	0	0	0	223,418
Public Safety	213,742	0	0	0	0	0	213,742
Public Works	77,084	52,422	25,326	0	0	0	154,832
Recreation and Culture	0	0	0	75,865	0	0	75,865
Other Functions	66,651	0	0	0	0	0	66,651
Debt Service							
Principal	0	20,184	0	50,000	25,000	25,000	120,184
Interest and Fiscal Charges	0	1,191	0	45,327	14,004	13,903	74,425
Total Expenditures	\$ 591,810	\$ 73,797	\$ 25,326	\$ 171,192	\$ 39,004	\$ 38,903	\$ 940,032
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 126,380	\$ 26,828	\$ 12,000	\$ (135,017)	\$ 11,674	\$ (30,429)	\$ 11,436

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	General Fund	Major Streets Fund	Local Streets Fund	Park Fund	Sunset Hills Special Assessment Fund	Storm Drain Debt Fund	Total Governmental Funds
<u>Other Financing Sources (Uses)</u>							
Operating Transfers In	\$ 187	\$ 0	\$ 0	\$ 138,000	\$ 0	\$ 18,000	\$ 156,187
Operating Transfers Out	(204,000)	0	0	0	(187)	0	(204,187)
Contributions from Component Unit	0	80,544	0	0	0	0	80,544
Total Other Financing Sources (Uses)	\$ (203,813)	\$ 80,544	\$ 0	\$ 138,000	\$ (187)	\$ 18,000	\$ 32,544
Net Change in Fund Balance	\$ (77,433)	\$ 107,372	\$ 12,000	\$ 2,983	\$ 11,487	\$ (12,429)	\$ 43,980
<u>Fund Balance (Deficit) - Beginning of Year</u>	207,115	105,415	67,302	(2,465)	34,425	16,263	428,055
<u>Fund Balance - End of Year</u>	<u>\$ 129,682</u>	<u>\$ 212,787</u>	<u>\$ 79,302</u>	<u>\$ 518</u>	<u>\$ 45,912</u>	<u>\$ 3,834</u>	<u>\$ 472,035</u>

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

Net change in Fund Balances Total Governmental Funds	\$ 43,980
Amounts reported for governmental activities are different because:	
Adjustment to reflect the consolidation of Internal Service Fund activities related to governmental funds.	(13,501)
Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(158,563)
Capital Outlay	41,841
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued Interest Payable - Beginning of Year	11,276
Accrued Interest Payable - End of Year	(10,427)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	120,184
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Deferred Revenue - Beginning of Year	(259,583)
Deferred Revenue - End of Year	202,939
Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Compensated Absences - Beginning of Year	31,635
Compensated Absences - End of Year	(45,303)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (35,522)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			Governmental
	MAJOR FUNDS			Activities-
	Water	Sewage		Internal Service
	Supply	Disposal	Totals	Fund
<u>Assets</u>				
<u>Current Assets</u>				
Cash	\$ 306,672	\$ 197,250	\$ 503,922	\$ 0
Receivables (Net, Where Applicable, of Allowances for Uncollectables):				
Accounts	21,646	10,468	32,114	0
Due from Other Funds	10,000	19,985	29,985	24,020
Total Current Assets	\$ 338,318	\$ 227,703	\$ 566,021	\$ 24,020
<u>Restricted Assets</u>				
Cash and Investments, At Cost	\$ 162	\$ 41,815	\$ 41,977	\$ 5,000
<u>Property, Plant and Equipment</u>				
Land	\$ 23,713	\$ 236,363	\$ 260,076	\$ 0
Treatment System	0	83,377	83,377	0
Collection Lines	0	3,825,539	3,825,539	0
Mains and Connections	846,958	0	846,958	0
Vehicles	0	0	0	154,306
Wells and Controls	805,592	0	805,592	0
Machinery and Equipment	718,815	12,427	731,242	108,664
	\$ 2,395,078	\$ 4,157,706	\$ 6,552,784	\$ 262,970
Less Accumulated Depreciation	438,804	1,767,477	2,206,281	191,448
Total Property, Plant and Equipment	\$ 1,956,274	\$ 2,390,229	\$ 4,346,503	\$ 71,522
TOTAL ASSETS	\$ 2,294,754	\$ 2,659,747	\$ 4,954,501	\$ 100,542
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$ 5,322	\$ 5,569	\$ 10,891	\$ 2,859
Bank Overdraft	0	0	0	15,193
Accrued Interest Payable	8,555	2,675	11,230	0
Customer Deposits Payable	6,420	6,480	12,900	0
Pension Payable	2,415	2,443	4,858	377
Due to Other Funds	1,188	0	1,188	10,535
Total Current Liabilities	\$ 23,900	\$ 17,167	\$ 41,067	\$ 28,964

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2004

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			Governmental
	<u>MAJOR FUNDS</u>			Activities-
	Water	Sewage		Internal Service
	Supply	Disposal	Totals	Fund
<u>Current Liabilities From Restricted Assets</u>				
Current Portion of Long-Term Liabilities				
Revenue Bonds	\$ 15,000	\$ 16,000	\$ 31,000	\$ 0
Equipment Contracts	0	0	0	10,891
Total Current Liabilities				
Payable from Restricted Assets	\$ 15,000	\$ 16,000	\$ 31,000	\$ 10,891
<u>Long-Term Liabilities</u>				
Revenue Bonds	\$ 670,000	\$ 305,000	\$ 975,000	\$ 0
Equipment Contracts	0	0	0	25,003
Total Long-Term Liabilities	\$ 670,000	\$ 305,000	\$ 975,000	\$ 25,003
Total Liabilities	\$ 708,900	\$ 338,167	\$ 1,047,067	\$ 64,858
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	1,262,719	2,066,554	3,329,273	35,628
Unrestricted	323,135	255,026	578,161	56
Total Net Assets	\$ 1,585,854	\$ 2,321,580	\$ 3,907,434	\$ 35,684
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds.			17,842	
Net Assets of Business-type Activities			\$ 3,925,276	

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2004

	Water Supply	Sewage Disposal	Totals	Governmental Activities- Internal Service Fund
<u>Operating Revenues</u>				
Charges for Services	\$ 218,262	\$ 163,040	\$ 381,302	\$ 12,880
Other Revenue	15,639	5,100	20,739	1,094
Total Operating Revenues	<u>\$ 233,901</u>	<u>\$ 168,140</u>	<u>\$ 402,041</u>	<u>\$ 13,974</u>
<u>Operating Expenses</u>				
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 86,567
Personal Services	72,136	79,927	152,063	0
Employee Benefits	21,459	19,820	41,279	0
Professional Services	2,800	2,800	5,600	0
Office Supplies and Expense	1,684	2,592	4,276	0
Telephone and Telegraph	391	1,092	1,483	0
Insurance	2,831	6,768	9,599	0
Operating Supplies and Expense	12,904	12,947	25,851	0
Heat, Light and Power	13,466	10,361	23,827	0
Depreciation	38,256	81,172	119,428	0
Rentals	3,143	3,398	6,541	0
Total Operating Expenses	<u>\$ 169,070</u>	<u>\$ 220,877</u>	<u>\$ 389,947</u>	<u>\$ 86,567</u>
Operating Income (Loss)	<u>\$ 64,831</u>	<u>\$ (52,737)</u>	<u>\$ 12,094</u>	<u>\$ (72,593)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Interest Income	\$ 21	\$ 250	\$ 271	\$ 0
Hook-Up Fees	39,100	29,900	69,000	0
Transfers In	0	0	0	48,000
Interest and Fiscal Charges	(43,565)	(16,717)	(60,282)	(2,409)
Total Nonoperating Revenues (Expenses)	<u>\$ (4,444)</u>	<u>\$ 13,433</u>	<u>\$ 8,989</u>	<u>\$ 45,591</u>
Net Income (Loss)	<u>\$ 60,387</u>	<u>\$ (39,304)</u>	<u>\$ 21,083</u>	<u>\$ (27,002)</u>
<u>Net Assets - Beginning of Year</u>	<u>1,525,467</u>	<u>2,360,884</u>		<u>62,686</u>
<u>Net Assets - End of Year</u>	<u><u>\$ 1,585,854</u></u>	<u><u>\$ 2,321,580</u></u>		<u><u>\$ 35,684</u></u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds.			<u>(13,501)</u>	
Change in Net Assets of Business-type Activities			<u><u>\$ 7,582</u></u>	

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

JUNE 30, 2004

	Water Supply	Sewage Disposal	Totals	Governmental Activities- Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 224,242	\$ 162,710	\$ 386,952	\$ 0
Receipts from Interfund Services Provided	0	0	0	(10,046)
Payment to Suppliers	(49,529)	(60,905)	(110,434)	(50,589)
Payment to Employees	(72,136)	(79,927)	(152,063)	(14,370)
Net Cash Provided by Operating Activities	\$ 102,577	\$ 21,878	\$ 124,455	\$ (75,005)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 48,000
Customer Deposits Payable	480	480	960	0
Net Cash Provided (Used) by Non-Capital Financing Activities	\$ 480	\$ 480	\$ 960	\$ 48,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Tap Fees	\$ 39,100	\$ 29,900	\$ 69,000	\$ 0
Acquisition of Capital Assets	(489,540)	0	(489,540)	0
Proceeds from Sale of Equipment	0	0	0	24,020
Principal Paid on Bonds	(15,000)	(16,000)	(31,000)	(10,475)
Interest Paid on Bonds	(43,565)	(16,717)	(60,282)	(2,409)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (509,005)	\$ (2,817)	\$ (511,822)	\$ 11,136
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investments	\$ 0	\$ (250)	\$ (250)	\$ 0
Interest Received	21	250	271	0
Net Cash Provided (Used) by Investing Activities	\$ 21	\$ 0	\$ 21	\$ 0
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (405,927)	\$ 19,541	\$ (386,386)	\$ (15,869)
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>712,761</u>	<u>177,709</u>	<u>890,470</u>	<u>5,676</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 306,834</u>	<u>\$ 197,250</u>	<u>\$ 504,084</u>	<u>\$ (10,193)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

JUNE 30, 2004

	Water Supply	Sewage Disposal	Totals	Governmental Activities- Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 64,831	\$ (52,737)	\$ 12,094	\$ (72,593)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	\$ 38,921	\$ 81,172	\$ 120,093	\$ 16,457
(Increase) Decrease in Current Assets				
Accounts Receivable	341	6,683	7,024	0
Due from Other Funds	(10,000)	(12,113)	(22,113)	(24,020)
Prepaid Expense	317	317	634	479
Increase (Decrease) in Current Liabilities				
Accounts Payable	5,322	3,959	9,281	2,788
Due to Other Funds	1,188	0	1,188	2,663
Accrued Interest Payable	8,555	(133)	8,422	0
Pension Payable	(6,898)	(5,270)	(12,168)	(779)
Total Adjustments	\$ 37,746	\$ 74,615	\$ 112,361	\$ (2,412)
Net Cash Provided by Operating Activities	\$ 102,577	\$ 21,878	\$ 124,455	\$ (75,005)

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2004

Assets

Cash	\$ 15,259
Due From Other Governmental Units	<u>89</u>
 TOTAL ASSETS	 <u>\$ 15,348</u>

Liabilities

Accounts Payable	\$ 999
Due to Other Governmental Units	<u>14,349</u>
 TOTAL LIABILITES	 <u>\$ 15,348</u>
 TOTAL FIDUCIARY NET ASSETS	 <u><u>\$ 0</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Potterville, Michigan, was incorporated December 12, 1962, and adopted its current charter on November 11, 1988. The City is located in Eaton County. The City operates under a Council-Manager form of government and provides the following services: public safety (police protection), highways and streets, recreation, public improvements, planning and zoning, and general administrative services. In addition, the City operates two major enterprise activities; a water supply system and a sewage collection and treatment system. The City financial statements include the accounts of all City operations.

The financial statements of the City of Potterville, Michigan (government) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

As required by generally accepted accounting principles these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The discretely presented component unit has a June 30 year end.

DISCRETELY PRESENTED COMPONENT UNITS

Tax Increment Financing Authority

On July 11, 1984, the City of Potterville established a Tax Increment Financing Authority for the purpose of promoting growth and development. The TIFA is legally separate from the primary government. The city council appoints the 3-member TIFA board and approves their budget.

Complete financial statements of the TIFA can be obtained from their administrative offices or from the city clerk's office at city hall.

Administrative Offices

City of Potterville Tax Increment Financing Authority
319 North Nelson
Potterville, MI 48876

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Based on the foregoing criteria, the financial statements of the following organizations are excluded from the accompanying financial statements:

JOINT VENTURES

The Potterville-Benton Township Fire Department – The City of Potterville and the Township of Benton entered into an interlocal agreement for the purpose of providing fire and emergency services to respective units. Both local governmental units have an undivided 50% joint ownership of the Fire Department and its operation. The fire board consists of six members, three appointed by the city and three appointed by the township. The city and township both approve the annual Fire Department budget. During the fiscal year ended June 30, 2004, the City of Potterville and the Township of Benton both contributed \$66,058 to the Fire Department.

Complete financial statements of the joint venture can be obtained by writing to:

Potterville-Benton Township Fire Department
4713 Hartel Road
Potterville, MI 48876

RELATED ORGANIZATIONS

Benton Township-Potterville District Library – The district library is a legally separate organization established to provide library services to residents of Benton Township and the City of Potterville. An elected 7-member board governs the district library. The district library is supported, in part, by a millage passed November 4, 1994. The tax of 1/5 mill applies to all taxable property in the library district, which consists of Benton Township and the City of Potterville. The district library board is empowered to propose and levy upon approval of the electors a tax for the support of the district library. It may also borrow money and issue bonds pursuant to the District Library Financing Act 265 of 1988 (MCL 397.287 et. seq.). The district library indemnifies and holds harmless the participating municipalities from all claims and liabilities. The city and township do not hold title to any of the district library's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the district library.

B. Government-wide and Fund Financial Statements

During fiscal year 2004, the City adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those statements on a retroactive basis. GASB Statements No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the City are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City of Potterville reports the following major governmental funds:

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Park Fund* accounts for revenue sources that are legally restricted to expenditure for parks and recreation.

The *Debt Service Funds* account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The City of Potterville reports the following major proprietary funds:

The *Water Fund* records financial activity of the water system which provides water to customers.

The *Sewer Fund* records financial activity of the sewage disposal services to its customers.

Additionally the City of Potterville reports the following fund types:

The *internal service funds* account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund, Sewer Fund, and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and for internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Investments - The City's investment policy is in compliance with state law and authorizes the City to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes. Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities.

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of the county and school taxes and remittance of them to the taxing units are accounted for in the Current Tax Collection Fund. County and school taxes are billed and due December 1, and become delinquent after February 14. City property tax revenues are recognized when levied, thus none of the 2004 summer roll has been recognized in these statements. City taxes are billed and due July 1, and become delinquent after August 10. City tax collections are accounted for in the Current Tax Collection Fund.

4. Restricted Assets

The restricted assets of the Enterprise Funds consist of bond and interest redemption, bond reserve and system improvement deposits. These have been set up in keeping with the bond indenture agreements.

5. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories held by the General, Water and Internal Service Funds are not considered material and are not included in these financial statements.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary funds of the government using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	20-50
Public Domain Infrastructure	20-30
Mains and Connections	20-100
Equipment	10-20
Intangibles	3-5

7. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for nonvesting, unpaid accumulated sick leave. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

deferred charges and amortized over the term of the related debt. The City has opted to apply the provisions of GASB 34 paragraph 146, which allows the amortizations of premiums, discounts, and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2003.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds. All annual appropriations lapse at fiscal year-end.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.
5. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year. The City amended its budget once during the current fiscal year.
6. Budget appropriations lapse at the end of the fiscal year for all funds, except for certain capital projects which are adopted on a per project basis.

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government	\$ 219,858	\$ 223,418
Public Works	54,545	77,084
Other Functions	45,315	66,651
Special Revenue Fund		
Park Fund	166,120	171,192
Debt Service		
Sunset Hills Special Assessment Fund	38,990	39,004

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits

The City's deposits are owned by several of the City's funds. At year end, the carrying amount of the primary government's deposits and cash on hand was \$958,875 and the bank balance was \$1,054,032. \$228,169 of the bank balance was covered by federal depository insurance, and \$825,863 was uninsured and uncollateralized. This amount included \$41,815 of time certificates of deposit and money market accounts which have been classified as cash on the balance sheets.

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

The City's investments are categorized in the following schedule to give an indication of the level of risk assumed by the entity at year end.

Category 1 - Investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counterparty's trust department (if a bank), or agent in the City's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the broker, dealer, or agent but not in the City's name.

The City does not have any investments subject to classification.

A reconciliation of cash and investments follows:

	PRIMARY GOVERNMENT	COMPONENT UNITS
Cash on Hand	\$ 296	\$ 0
Carrying amount of Deposits	958,579	308,126
Carrying amount of Investments	0	73,540
Total	\$ 958,875	\$ 381,666
Government-wide Statement of Net Assets		
Cash	\$ 958,809	\$ 308,126
Investments	0	73,540
Bank Overdraft	(15,193)	0
Statement of Fiduciary Net Assets		
Cash	15,259	0
Total	\$ 958,875	\$ 381,666

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, internal service, and fiduciary funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

	General Fund	Sunset Hills Special Assessment	Storm Drain Special Assessment	Water Fund	Sewer Fund	Total
Receivables						
Accounts	\$ 999	\$ 0	\$ 0	\$ 21,646	\$ 10,468	\$ 33,113
Special Assessments						
Deferred	0	149,723	53,216	0	0	202,939
Net Receivables	\$ 999	\$ 149,723	\$ 53,216	\$ 21,646	\$ 10,468	\$ 236,052

By ordinance, the City can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	
	Unavailable	Unearned
Special Assessments Receivable (Debt Service Funds)	202,939	0

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 223,263	\$ 0	\$ 0	\$ 223,263
Capital assets, being depreciated				
Buildings	\$ 507,007	\$ 24,020	\$ 0	\$ 531,027
Land Improvements	1,151,225	0	0	1,151,225
Paved Roads	2,643,673	17,821	0	2,661,494
Unpaved Roads	67,770	0	0	67,770
Total capital assets, being depreciated	\$ 4,369,675	\$ 41,841	\$ 0	4,411,516
Less accumulated depreciation for:				
Buildings	\$ 47,619	\$ 10,621	\$ 0	\$ 58,240

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

	Beginning Balance	Increases	Decreases	Ending Balance
Land Improvements	761,811	57,561	0	819,372
Paved Roads	1,011,704	88,122	0	1,099,826
Unpaved Roads	22,590	2,259	0	24,849
Total accumulated depreciation	\$ 1,843,724	\$ 158,563	\$ 0	\$ 2,002,287
Total capital assets, being depreciated, net	\$ 2,525,951	\$ (116,722)	\$ 0	\$ 2,409,229
Governmental activities capital assets, net	\$ 2,749,214	\$ (116,722)	\$ 0	\$ 2,632,492
Internal Service Fund net capital assets				35,761
Net Capital Assets per Statement of Net Assets				\$ 2,668,253

Business-Type Activities

Sewer

Capital assets, not being depreciated				
Land	\$ 236,363	\$ 0	\$ 0	\$ 236,363
Capital assets, being depreciated				
Machinery and equipment	\$ 12,427	\$ 0	\$ 0	\$ 12,427
Sewer Connection Lines	459,697	0	0	459,697
Treatment System	3,449,219	0	0	3,449,219
Total capital assets, Sewer, being depreciated	\$ 3,921,343	\$ 0	\$ 0	\$ 3,921,343
Less accumulated depreciation for:				
Machinery and equipment	\$ 11,686	\$ 247	\$ 0	\$ 11,933
Sewer Connection Lines	278,917	9,194	0	288,111
Treatment System	1,395,702	71,731	0	1,467,433
Total accumulated depreciation, Sewer	\$ 1,686,305	\$ 81,172	\$ 0	\$ 1,767,477
Total capital assets, Sewer, being depreciated, net	\$ 2,235,038	\$ (81,172)	\$ 0	\$ 2,153,866
Sewer capital assets, net	\$ 2,471,401	\$ (81,172)	\$ 0	\$ 2,390,229

Water

Capital assets, not being depreciated				
Land	\$ 23,713	\$ 0	\$ 0	\$ 23,713

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Machinery and equipment	\$ 732,253	\$ 0	\$ 13,438	\$ 718,815
Mains and Connections	846,958	0	0	846,958
Wells and Structures	5,204	800,388	0	805,592
Total capital assets, Water, being depreciated	\$ 1,584,415	\$ 800,388	\$ 13,438	\$ 2,371,365
Less accumulated depreciation for:				
Machinery and equipment	\$ 183,635	\$ 13,886	\$ 0	\$ 197,521
Mains and Connections	216,885	15,261	0	232,146
Wells and Structures	5,204	3,933	0	9,137
Total accumulated depreciation, Water	\$ 405,724	\$ 33,080	\$ 0	\$ 438,804
Total capital assets, Water, being depreciated, net	\$ 1,178,691	\$ 770,308	\$ (13,438)	\$ 1,932,561
Water capital assets, net	\$ 1,202,404	\$ 770,308	\$ (13,438)	\$ 1,956,274
Total capital assets, net				
Business-type activities	\$ 3,673,805	\$ 689,136	\$ (13,438)	\$ 4,346,503
Internal Service Fund net capital assets				35,761
Net Capital Assets per Statement of Net Assets				\$ 4,382,264

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Unallocated Depreciation	\$ 158,563
Total depreciation expense - governmental activities	\$ 158,563
Business-type activities:	
Sewer	\$ 81,172
Water	33,080
Total depreciation expense - business-type activities	\$ 114,252

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2004, were:

<u>FUND</u>	INTERFUND RECEIVABLES	INTERFUND PAYABLES
	<u>DUE FROM'S</u>	<u>DUE TO'S</u>
Primary Government Only Due from/to Other Funds:		
General Fund		
Local Street Fund	\$ 12,970	\$ 0
Major Street Fund	45,517	0
Water Supply System	470	0
Payroll Fund	2,334	0
Park Fund	0	2,000
Major Street Fund	0	1,728
Water Supply System	0	10,000
Sewage Disposal System	0	9,202
Internal Service Fund	0	24,020
Payroll Fund	0	965
Special Revenue Funds		
Major Street Fund		
General Fund	1,728	0
General Fund	0	45,517
Local Street Fund		
Water Supply System	470	0
General Fund	0	12,970
Park Fund		
General Fund	2,000	0
Enterprise Funds		
Water Supply System		
General Fund	10,000	0
General Fund	0	470
Local Street Fund	0	470
Sewage Disposal System	0	248
Sewage Disposal System		
General Fund	9,202	0
Water Fund	248	0

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Internal Service Fund	10,535	0
Internal Service Fund		
General Fund	24,020	0
Sewage Disposal System	0	10,535
Fiduciary Funds		
Payroll Fund		
General Fund	965	0
General Fund	0	2,334
Total Primary Government	\$ 120,459	\$ 120,459

E. Changes in Long-Term Debt

The following is a summary of debt transactions of the City of Potterville for the year ended June 30, 2004:

Governmental Activities:

	GENERAL OBLIGATION BONDS	OTHER DEBT	TOTAL
Debt Payable at			
July 1, 2003	\$ 1,220,000	\$ 71,228	\$ 1,291,228
Debt Retired	(115,000)	(10,647)	(125,647)
New Debt Issued	0	13,668	13,668
DEBT PAYABLE AT			
JUNE 30, 2004	\$ 1,105,000	\$ 74,249	\$ 1,179,249

Debt payable at June 30, 2004 is comprised of the following individual issues:

Governmental Activities

General Obligation

\$120,000 1991 Series A, Special Assessment Bonds, due in annual installments at 7.0% to 7.2% interest, payable only from special assessments. \$ 45,000

\$330,000 1991 Series B, Special Assessment Bonds (Limited Tax General Obligation), due in annual installments at 7.0% to 7.20% interest. 120,000

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

\$400,000 1993 City of Potterville Building Authority Bonds, due in annual installments at 5.0% to 5.55% interest.	260,000
\$400,000 1994 City of Potterville Building Authority Bonds, due in annual installments at 5.7% to 6.2% interest.	280,000
\$215,000 1994-2 City of Potterville Building Authority Bonds, due in annual installments at 6.65% to 7.2% interest.	160,000
\$400,000 Sunset Hills Special Assessment Bonds, due in annual installments at 5.40% to 5.45% interest, payable from special assessments.	240,000

Other Debt

Compensated Absences

Vested sick and vacation pay owed to City employees under various contracts and agreements (this debt is payable from the General Fund and various Special Revenue Funds)	45,303
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Note Payable – Michigan Department of Transportation

\$35,000 note payable to the Michigan Department of Transportation, unsecured, due April 1, 2006, interest at 4.00%.	10,999
--	--------

Lease Purchase Agreement – John Deere Backhoe

\$17,500 Lease Purchase Agreement for a John Deere Backhoe, due in annual installments at 5.9% interest.	2,529
--	-------

Lease Purchase Agreement – GMC 1-1/2 Ton Pickup

\$23,794 Lease Purchase Agreement for a GMC 1-1/2 ton pickup truck at 5.0% interest.	15,418
--	--------

Total Governmental activities	\$ 1,179,249
-------------------------------	--------------

The annual requirements to amortize debt outstanding other than vested sick and vacation pay as of June 30, 2004, are as follows:

YEAR ENDING JUNE 30,	GENERAL OBLIGATION BONDS	OTHER DEBT	TOTAL
2005			
Principal	\$ 105,000	\$ 10,836	\$ 115,836
Interest	64,835	1,297	66,132
Total	\$ 169,835	\$ 12,133	\$ 181,968

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

2006				
Principal	\$	105,000	\$	8,678
Interest		58,651		780
Total	\$	163,651	\$	9,458
2007				
Principal	\$	105,000	\$	3,227
Interest		52,365		399
Total	\$	157,365	\$	3,626
2008				
Principal	\$	115,000	\$	3,392
Interest		45,882		233
Total	\$	160,882	\$	3,625
2009				
Principal	\$	125,000	\$	2,813
Interest		38,523		62
Total	\$	163,523	\$	2,875
2010-2014				
Principal	\$	495,000	\$	0
Interest		88,147		0
Total	\$	583,147	\$	0
2015-2019				
Principal	\$	55,000	\$	0
Interest		1,805		0
Total	\$	56,805	\$	0
Grand Total				
Principal	\$	1,105,000	\$	28,946
Interest		350,208		2,771
Total	\$	1,455,208	\$	31,717

Business-type Activities:

	GENERAL OBLIGATION BONDS	REVENUE BONDS	OTHER DEBT	TOTAL
Debt Payable at July 1, 2003	\$ 700,000	\$ 337,000	\$ 23,410	\$ 1,060,410
Debt Retired	(15,000)	(16,000)	(5,463)	(36,463)

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

New Debt Issued	0	0	0	0
DEBT PAYABLE AT				
JUNE 30, 2004	\$ 685,000	\$ 321,000	\$ 17,947	\$ 1,023,947

Business-type activities:

General Obligation Bonds

\$700,000 2002 Series, General Obligation Limited Tax Bonds,
due in annual installments at 4.2% to 7.0% interest. \$ 685,000

Revenue Bonds

\$551,000 1979 Series, Sewage Disposal System Revenue Bonds,
due in annual installments at 5.0% interest 321,000

Other Debt

Lease Purchase Agreement – John Deere Backhoe

\$17,500 Lease Purchase Agreement for a John Deere Backhoe, due in
annual installments at 5.9% interest. 2,528

Lease Purchase Agreement – GMC 1-1/2 Ton Pickup

\$23,795 Lease Purchase Agreement for a GMC 1-1/2 ton
pickup truck at 5.0% interest. 15,419

Total Business-type activities \$ 1,023,947

The annual requirements to amortize all debt outstanding for the business-type activities as of June 30, 2004, are as follows:

YEAR ENDING JUNE 30,	GENERAL OBLIGATION	REVENUE BONDS	OTHER DEBT	TOTAL
2005				
Principal	\$ 15,000	\$ 16,000	\$ 5,446	\$ 36,446
Interest	33,695	16,050	857	50,602
Total	\$ 48,695	\$ 32,050	\$ 6,303	\$ 87,048
2006				
Principal	\$ 15,000	\$ 18,000	\$ 3,070	\$ 36,070
Interest	32,645	15,250	556	48,451
Total	\$ 47,645	\$ 33,250	\$ 3,626	\$ 84,521
2007				
Principal	\$ 20,000	\$ 18,000	\$ 3,227	\$ 41,227

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Interest	31,420	14,350	399	46,169
Total	\$ 51,420	\$ 32,350	\$ 3,626	\$ 87,396
2008				
Principal	\$ 20,000	\$ 20,000	\$ 3,392	\$ 43,392
Interest	30,020	13,450	233	43,703
Total	\$ 50,020	\$ 33,450	\$ 3,625	\$ 87,095
2009				
Principal	\$ 20,000	\$ 20,000	\$ 2,812	\$ 42,812
Interest	28,620	12,450	62	41,132
Total	\$ 48,620	\$ 32,450	\$ 2,874	\$ 83,944
2010-2014				
Principal	\$ 145,000	\$ 116,000	\$ 0	\$ 261,000
Interest	116,690	46,250	0	162,940
Total	\$ 261,690	\$ 162,250	\$ 0	\$ 423,940
2015-2019				
Principal	\$ 215,000	\$ 113,000	\$ 0	\$ 328,000
Interest	73,395	14,450	0	87,845
Total	\$ 288,395	\$ 127,450	\$ 0	\$ 415,845
2020-2024				
Principal	\$ 235,000	\$ 0	\$ 0	\$ 235,000
Interest	20,475	0	0	20,475
Total	\$ 255,475	\$ 0	\$ 0	\$ 255,475
Grand Total				
Principal	\$ 685,000	\$ 321,000	\$ 17,947	\$ 1,023,947
Interest	366,960	132,250	2,107	501,317
Total	\$ 1,051,960	\$ 453,250	\$ 20,054	\$ 1,525,264

F. Operating Transfers In (Out)

The following is a schedule of operating transfers between funds for the year ending June 30, 2004:

<u>FUND</u>		<u>OPERATING TRANSFERS</u>	
		<u>IN</u>	<u>OUT</u>
<u>General Fund</u>			
To			
Park Fund	\$	0	\$ 138,000
Equipment Pool		0	48,000
Storm Drain Debt Fund		0	18,000

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

From			
Sunset Hills Special Assessment Fund	187		0
<u>Special Revenue Fund</u>			
Park Fund			
From			
General Fund	138,000		0
<u>Internal Service Fund</u>			
Equipment Pool			
From			
General Fund	48,000		0
<u>Debt Fund</u>			
Sunset Hills Special Assessment Fund			
To			
General Fund	0		187
Storm Drain Debt Fund			
From			
General Fund	18,000		0
TOTALS	\$ 204,187	\$	204,187

The following is a schedule of operating transfers between the primary government and the joint venture for the year ending June 30, 2004:

<u>FUND</u>	<u>OPERATING TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
<u>Primary Government</u>		
<u>General Fund</u>		
To Joint Venture		
Potterville-Benton Township Fire Department	\$ 0	\$ 66,058
TOTALS	\$ 0	\$ 66,058

G. Interest Income and Interest Expense

Individual fund interest income and interest expense for the primary government for the year ending June 30, 2004, were:

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

<u>FUND</u>	<u>INTEREST INCOME</u>	<u>INTEREST EXPENSE</u>
General Fund	\$ 1,423	\$ 0
Special Revenue Fund		
Major Street Fund	827	1,191
Local Street Fund	499	0
Park Fund	0	43,727
Debt Fund		
Sunset Hills Special Assessment Fund	9,953	14,004
Storm Drain Debt Fund	2,852	13,903
Enterprise Fund		
Water Supply System	21	0
Sewage Disposal System	250	16,592
Internal Service Fund		
Equipment Pool Fund	0	2,409
	<hr/>	<hr/>
	\$ 15,825	\$ 91,826

Interest income and interest expense for the component unit for the year ending June 30, 2004, was:

COMPONENT UNIT

	<u>INTEREST INCOME</u>	<u>INTEREST EXPENSE</u>
Tax Increment Financing Authority	\$ 1,877	\$ 54,265

IV. OTHER INFORMATION

A. Employee Retirement Systems

Defined Contribution:

The City has a defined contribution pension plan with the Mass Mutual Life Insurance Company which covers 8 of 11 employees who have satisfied eligibility requirements. Each employee becomes eligible after three years of service. Benefits vest at 20% per year until seven years of service at which point they are 100% vested.

CITY OF POTTERVILLE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

The formula for determining contributions is based on an employee's annual compensation. The City has elected to contribute 10% of compensation. The employees do not contribute anything.

During the year, the City of Potterville's required contributions amounted to \$37,094, which was 10% of its current year covered payroll. However, the city actually contributed \$35,952 which was due for the prior year. However, due to a beginning debit balance of \$73,046 and applied payments of \$41,744, the amount actually owed by the city to the plan is \$31,302.

B. Deferred Compensation Plan

The City of Potterville offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, section 457. The assets of the plan are held in a trust, custodial account or annuity contract described in IRC section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of these section 457 plans and the assets may not be diverted to any other use. The administrator is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB statement No. 32, plan balances and activities are not reflected in the city's financial statements.

C. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters. The city participates in the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, building and contents) and workers' compensations. Settlement amounts have not exceeded insurance coverage for the past three years.

The local units in the State of Michigan established and created a trust fund, known as the Michigan Municipal Liability and Property Pool pursuant to the provisions of Public Act 138 of 1982. The pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

The Michigan Municipal Liability Pool program operates as a common risk-sharing management program for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	GENERAL FUND				MAJOR STREET FUND			
	Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>								
Taxes	\$ 411,000	\$ 411,000	\$ 409,347	\$ (1,653)	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	1,800	1,800	1,195	(605)	0	0	0	0
State Grants	245,780	245,780	234,987	(10,793)	89,500	89,500	98,070	8,570
Fines and Forfeits	0	0	627	627	0	0	0	0
Interest and Rents	10,000	10,000	2,573	(7,427)	1,000	1,000	827	(173)
Other Revenue	28,120	113,120	69,461	(43,659)	0	0	1,728	1,728
Total Revenues	\$ 696,700	\$ 781,700	\$ 718,190	\$ (63,510)	\$ 90,500	\$ 90,500	\$ 100,625	\$ 10,125
<u>Expenditures</u>								
Legislative	\$ 14,510	\$ 14,510	\$ 10,915	\$ (3,595)	\$ 0	\$ 0	\$ 0	\$ 0
General Government	193,958	219,858	223,418	3,560	0	0	0	0
Public Safety	247,305	230,305	213,742	(16,563)	0	0	0	0
Public Works	54,545	54,545	77,084	22,539	132,695	132,695	52,422	(80,273)
Principal	0	0	0	0	5,185	5,185	20,184	14,999
Interest and Fiscal Charges	0	0	0	0	650	650	1,191	541
Other Functions	45,315	45,315	66,651	21,336	0	0	0	0
Total Expenditures	\$ 555,633	\$ 564,533	\$ 591,810	\$ 27,277	\$ 138,530	\$ 138,530	\$ 73,797	\$ (64,733)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 141,067	\$ 217,167	\$ 126,380	\$ (90,787)	\$ (48,030)	\$ (48,030)	\$ 26,828	\$ 74,858
<u>Other Financing Sources (Uses)</u>								
Operating Transfers In	\$ 0	\$ 0	\$ 187	\$ 187	\$ 0	\$ 0	\$ 80,544	\$ 80,544
Operating Transfers Out	(152,160)	(152,160)	(204,000)	(51,840)	0	0	0	0
Total Other Financing Sources (Uses)	\$ (152,160)	\$ (152,160)	\$ (203,813)	\$ (51,653)	\$ 0	\$ 0	\$ 80,544	\$ 80,544
Net Change in Fund Balance	\$ (11,093)	\$ 65,007	\$ (77,433)	\$ (142,440)	\$ (48,030)	\$ (48,030)	\$ 107,372	\$ 155,402
<u>Fund Balance - Beginning of Year</u>	207,115	207,115	207,115	0	105,415	105,415	105,415	0
<u>Fund Balance - End of Year</u>	\$ 196,022	\$ 272,122	\$ 129,682	\$ (142,440)	\$ 57,385	\$ 57,385	\$ 212,787	\$ 155,402

CITY OF POTTERVILLE
POTTERVILLE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	LOCAL STREET FUND				PARK FUND			
	Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>								
State Grants	\$ 33,500	\$ 33,500	\$ 36,827	\$ 3,327	\$ 0	\$ 0	\$ 0	\$ 0
Charges for Services	0	0	0	0	33,700	33,700	33,402	(298)
Interest and Rents	500	500	499	(1)	0	0	0	0
Other Revenue	0	0	0	0	5,250	5,250	2,773	(2,477)
Total Revenues	\$ 34,000	\$ 34,000	\$ 37,326	\$ 3,326	\$ 38,950	\$ 38,950	\$ 36,175	\$ (2,775)
<u>Expenditures</u>								
Public Works	\$ 44,270	\$ 44,270	\$ 25,326	\$ (18,944)	\$ 0	\$ 0	\$ 0	\$ 0
Recreation and Culture	0	0	0	0	71,590	71,590	75,865	4,275
Principal	0	0	0	0	50,000	50,000	50,000	0
Interest and Fiscal Charges	0	0	0	0	44,530	44,530	45,327	797
Total Expenditures	\$ 44,270	\$ 44,270	\$ 25,326	\$ (18,944)	\$ 166,120	\$ 166,120	\$ 171,192	\$ 5,072
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (10,270)	\$ (10,270)	\$ 12,000	\$ 22,270	\$ (127,170)	\$ (127,170)	\$ (135,017)	\$ (7,847)
<u>Other Financing Sources (Uses)</u>								
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 127,000	\$ 127,000	\$ 138,000	\$ 11,000
Net Change in Fund Balance	\$ (10,270)	\$ (10,270)	\$ 12,000	\$ 22,270	\$ (170)	\$ (170)	\$ 2,983	\$ 3,153
<u>Fund Balance (Deficit) - Beginning of Year</u>	67,302	67,302	67,302	0	(2,465)	(2,465)	(2,465)	0
<u>Fund Balance (Deficit) - End of Year</u>	\$ 57,032	\$ 57,032	\$ 79,302	\$ 22,270	\$ (2,635)	\$ (2,635)	\$ 518	\$ 3,153

CITY OF POTTERVILLE, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	2004	2003
<u>ASSETS</u>		
Cash	\$ 14,619	\$ 84,582
Cash - Budget Stabilization	57,599	45,566
Cash - Imagination Station	3,670	2,584
Accounts Receivable	999	0
Due from Other Governments		
State of Michigan	73,999	78,481
Federal	0	13
Other Governments	0	1,256
Due from Other Funds		
Due From Major Street	45,517	470
Due From Local Street	12,970	490
Due From Water	470	0
Due From Payroll	2,334	2,000
Other Funds	0	240
Due From Component Unit	1,028	1,028
Prepaid Expenses	0	7,652
TOTAL ASSETS	\$ 213,205	\$ 224,362

CITY OF POTTERVILLE, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 28,859	\$ 7,669
Pension Payable	6,749	6,069
Due to Other Funds		
Due to Major Street	1,728	0
Due to Park Fund	2,000	0
Due to Sewer	9,202	0
Due to Water	10,000	0
Due to Equipment	24,020	0
Due to Payroll Fund	965	0
Payroll Liabilities	0	3,509
Total Liabilities	<u>\$ 83,523</u>	<u>\$ 17,247</u>
<u>FUND BALANCE</u>		
Designated		
Budget Stabilization	57,599	45,566
Imagination Station	3,670	2,584
Unreserved		
Undesignated	65,674	157,376
Total Fund Balance	<u>\$ 126,943</u>	<u>\$ 205,526</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 210,466</u>	<u>\$ 222,773</u>
	2,739	1,589

CITY OF POTTERVILLE, MICHIGAN

GENERAL FUND

SUMMARY - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 411,000	\$ 409,347	\$ 393,555
Licenses and Permits	1,800	1,195	1,915
State Grants	245,780	234,987	252,907
Fines and Forfeits	0	627	3,331
Interest and Rents	10,400	2,573	9,981
Other Revenue	112,720	69,461	42,123
Total Revenues	\$ 781,700	\$ 718,190	\$ 703,812
<u>EXPENDITURES</u>			
Legislative	\$ 14,510	\$ 10,915	\$ 13,215
General Government	219,858	223,418	190,089
Public Safety	230,305	213,742	248,195
Public Works	54,545	77,084	49,040
Other Functions	45,315	66,651	54,489
Total Expenditures	\$ 564,533	\$ 591,810	\$ 555,028
Excess (Deficiency) of Revenues Over Expenditures	\$ 217,167	\$ 126,380	\$ 148,784
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ 0	\$ 187	\$ 15,198
Operating Transfers Out	(152,160)	(204,000)	(173,930)
Total Other Financing Sources (Uses)	\$ (152,160)	\$ (203,813)	\$ (158,732)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	\$ 65,007	\$ (77,433)	\$ (9,948)
<u>FUND BALANCE</u> - Beginning of Year	207,115	207,115	217,063
<u>FUND BALANCE</u> - End of Year	\$ 272,122	\$ 129,682	\$ 207,115

CITY OF POTTERVILLE, MICHIGAN

DETAIL-SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes			
Current Property	\$ 387,700	\$ 373,264	\$ 372,247
Industrial Facilities	2,000	16,133	0
Administration Fees	15,200	16,360	16,050
Trailer Court Tax	1,600	1,605	1,630
Payments in Lieu of Tax	500	649	0
Penalties and Interest	4,000	1,336	3,628
	<u>\$ 411,000</u>	<u>\$ 409,347</u>	<u>\$ 393,555</u>
Licenses and Permits			
Permits	<u>\$ 1,800</u>	<u>1,195</u>	<u>1,915</u>
State Grants			
State Revenue Sharing			
Sales and Use Tax	\$ 244,580	\$ 226,454	\$ 251,710
Telecommunications Right of Way Maintenance	0	7,118	0
Liquor Licenses	1,200	1,415	1,197
	<u>\$ 245,780</u>	<u>\$ 234,987</u>	<u>\$ 252,907</u>
Fines and Forfeits	<u>\$ 0</u>	<u>\$ 627</u>	<u>\$ 3,331</u>
Interest and Rents			
Interest	\$ 10,000	\$ 1,423	\$ 8,392
Pavillion Rent	400	1,150	1,589
	<u>\$ 10,400</u>	<u>\$ 2,573</u>	<u>\$ 9,981</u>
Other Revenue			
Tax Increment Finance Authority	\$ 65,000	\$ 0	\$ 0
Freedom Of Information Act	200	132	129
P.A. 302 Law Enforcement	520	0	0
Communication Tower Lease	18,000	18,000	11,800
Insurance	5,000	7,835	4,486
Salary Reimbursement	20,000	20,000	0
Miscellaneous	4,000	23,494	25,708
	<u>\$ 112,720</u>	<u>\$ 69,461</u>	<u>\$ 42,123</u>
Total Revenues	<u>\$ 781,300</u>	<u>\$ 717,040</u>	<u>\$ 702,223</u>

CITY OF POTTERVILLE, MICHIGAN

DETAIL-SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

EXPENDITURES

Legislative

City Council

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Wages Part-Time	\$ 6,600	\$ 4,510	\$ 6,180
Social Security	410	280	383
Medicare	100	65	90
State Unemployment	0	22	0
Publication	500	0	418
Operating Supplies	100	0	14
Service	3,000	2,438	3,032
Office Supplies	0	0	424
Liability Insurance	1,000	1,660	913
Dues and Subscriptions	2,000	1,940	1,761
Conferences and Workshops	800	0	0
	<u>\$ 14,510</u>	<u>\$ 10,915</u>	<u>\$ 13,215</u>

General Government

Mayor

Wages Part-Time	\$ 1,700	\$ 1,200	\$ 1,875
Social Security	110	74	116
Medicare	30	17	27
State Unemployment	0	8	0
Office Supplies	500	0	523
Conferences and Workshops	600	0	0
	<u>\$ 2,940</u>	<u>\$ 1,299</u>	<u>\$ 2,541</u>

City Manager

Salaries	\$ 45,450	\$ 46,578	\$ 18,494
Social Security	1,520	2,814	1,134
Medicare	355	658	270
Pension	2,445	4,249	1,815
State Unemployment	60	304	96
Supplies	250	213	448
Computer Software	215	0	0
Office Supplies	1,200	1,005	2,941
Contract Labor	0	3,810	0

CITY OF POTTERVILLE, MICHIGAN

DETAIL-SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Telephone Expense	600	715	680
Dental and Vision	825	0	497
Liability Insurance	150	246	130
Dues and Subscriptions	650	260	754
Conferences and Workshops	400	1,098	1,653
Equipment Rental	0	0	78
	\$ 54,120	\$ 61,950	\$ 28,990
Elections			
Wages Part-Time	\$ 0	\$ 467	\$ 0
Publication	400	654	462
Supplies	750	769	368
Office Supplies	1,000	854	1,064
Contract Labor	650	0	975
	\$ 2,800	\$ 2,744	\$ 2,869
Independent Audit and Accounting			
Professional Services	\$ 2,800	\$ 2,800	\$ 0
Treasurer			
Salaries	\$ 22,600	\$ 21,158	\$ 28,702
Social Security	1,400	1,298	1,779
Medicare	330	303	425
Pension	2,260	3,412	2,824
State Unemployment	110	171	248
Benton Township 425 Tax Agreement	8,100	8,103	6,680
Supplies	1,500	231	1,031
Postage	1,800	1,173	1,397
Computer Software	2,705	525	3,183
Office Supplies	1,000	721	1,644
Telephone Expense	1,000	279	1,007
Liability Insurance	550	919	516
Conferences and Workshops	500	40	84
Miscellaneous	0	692	461
Capital Outlay - Computer Equipment	300	0	0
	\$ 44,155	\$ 39,025	\$ 49,981
Assessor			

CITY OF POTTERVILLE, MICHIGAN

DETAIL-SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Salaries	\$ 10,770	\$ 11,059	\$ 10,185
Social Security	667	639	631
Medicare	156	150	148
State Unemployment	130	153	212
Computer Software	0	315	0
Publication	0	52	43
Supplies	250	0	60
Postage	400	347	388
Office Supplies	450	28	403
Liability Insurance	150	246	130
Capital Outlay - Computer Equipment	0	310	0
	<u>\$ 12,973</u>	<u>\$ 13,299</u>	<u>\$ 12,200</u>
Attorney			
Professional Services	\$ 24,000	\$ 24,511	\$ 30,421
City Clerk's Office			
Salaries	\$ 36,900	\$ 32,148	\$ 32,262
Social Security	2,290	1,946	1,953
Medicare	535	455	465
Pension	3,690	4,068	3,158
State Unemployment	130	336	327
Publication	250	470	154
Postage	0	32	0
Supplies	350	298	488
Computer Software	1,175	259	1,956
Office Supplies	2,400	3,154	205
Bank Service Charges	400	569	88
Contract Labor	2,000	75	0
Telephone Expense	200	588	442
Dental and Vision	1,650	0	1,322
Liability Insurance	150	246	130
Dues and Subscriptions	150	100	100
Miscellaneous	100	0	0
Conference and Workshops	750	0	759
Capital Outlay			
Computer Equipment	50	0	0

CITY OF POTTERVILLE, MICHIGAN

DETAIL-SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Equipment	0	2,147	0
	\$ 53,170	\$ 46,891	\$ 43,809
Board of Review			
Contract Labor	\$ 1,000	\$ 100	\$ 850
Publication	0	35	0
Conferences and Workshops	200	0	0
	\$ 1,200	\$ 135	\$ 850
Building and Grounds - City Hall			
Salaries	\$ 0	\$ 0	\$ 955
Social Security	0	0	59
Medicare	0	0	14
State Unemployment	0	0	80
Supplies	500	3,354	1,673
Repairs and Maintenance	1,000	316	1,082
Service	0	2,884	445
Office Supplies	500	327	1,234
Contract Labor	3,600	2,737	3,660
Telephone Expense	500	1,369	675
Liability Insurance	3,800	6,297	3,449
Utilities	4,500	4,519	4,422
Miscellaneous	1,000	262	440
Capital Outlay			
Computer Equipment	4,900	4,858	0
Office Equipment and Furniture	1,400	3,601	0
	\$ 21,700	\$ 30,524	\$ 18,188
Professional Service			
Services	\$ 0	\$ 240	\$ 240
Total General Government	\$ 219,858	\$ 223,418	\$ 190,089
Public Safety			
Police Department			
Salaries	\$ 102,000	\$ 89,408	\$ 109,770
Crossing Guard Salary	0	2,192	1,256

CITY OF POTTERVILLE, MICHIGAN

DETAIL-SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Social Security	7,400	5,535	6,806
Medicare	1,750	1,295	1,627
Pension	11,900	13,566	10,778
State Unemployment	380	768	666
Uniform Expenses	750	1,683	193
Supplies	750	1,959	1,381
Supplies - Crossing Guards	50	0	0
Repairs and Maintenance	1,000	1,093	3,822
Training	1,000	70	50
Contract Labor	250	150	0
Crossing Guard Pay	3,000	250	0
Radio Repairs	500	0	331
Telephone Expense	1,100	976	1,096
Gas and Oil	3,300	920	2,906
Dental and Vision	4,000	0	3,149
Liability Insurance	2,750	4,566	2,516
Equipment Rental	0	525	0
Miscellaneous	250	142	1,468
Capital Outlay - Equipment	0	0	1,293
	\$ 142,130	\$ 125,098	\$ 149,108
 Police State Training			
Office Supplies	\$ 662	\$ 347	\$ 0
 Fire Department			
Hydrant Rental	\$ 10,000	\$ 10,000	\$ 10,000
Aid to Other Governments	49,752	66,058	65,929
	\$ 59,752	\$ 76,058	\$ 75,929
 Planning Commission			
Salaries	\$ 6,800	\$ 3,550	\$ 5,445
Social Security	420	220	338
Medicare	100	52	79
State Unemployment	0	27	0
Publication	300	0	256
Office Supplies	10,000	4,492	6,600

CITY OF POTTERVILLE, MICHIGAN

DETAIL-SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Liability Insurance	1,000	1,659	913
Dues and Subscriptions	500	0	500
Conference and Workshops	500	0	195
	\$ 19,620	\$ 10,000	\$ 14,326
Zoning Commission			
Salaries	\$ 6,100	\$ 494	\$ 5,928
Social Security	378	31	368
Medicare	88	7	86
Pension	610	1,079	593
State Unemployment	15	0	35
Publication	400	308	1,161
Office Supplies	400	74	531
Liability Insurance	150	246	\$ 130
	\$ 8,141	\$ 2,239	\$ 8,832
Total Public Safety	\$ 230,305	\$ 213,742	\$ 248,195
Public Works			
Department of Public Works			
Salaries	\$ 16,000	\$ 14,184	\$ 15,317
Social Security	620	860	941
Medicare	150	205	221
Pension	1,600	1,662	1,510
State Unemployment	55	117	88
Uniform Expenses	500	0	585
Publication	0	314	209
Supplies	800	761	670
Office Supplies	3,000	3,744	1,540
Telephone Expense	0	29	44
Disability and Life	0	763	693
Dental and Vision	350	0	79
Utilities	0	126	55
Equipment Rentals	3,000	1,352	2,059
Capital Outlay - Garage Building	0	24,020	0
	\$ 26,075	\$ 48,137	\$ 24,011

CITY OF POTTERVILLE, MICHIGAN

DETAIL-SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Sidewalks			
Street Materials and Supplies	\$ 3,000	\$ 3,500	\$ 0
Street Lights			
Liability Insurance	\$ 0	\$ 2	\$ 5
Utilities	18,000	20,678	20,907
	\$ 18,000	\$ 20,680	\$ 20,912
Storm Drain Maintenance			
Salaries	\$ 560	\$ 650	\$ 108
Social Security	35	39	6
Medicare	10	9	2
Pension	60	14	10
State Unemployment	5	2	0
Supplies	1,000	364	0
Office Supplies	500	0	210
Repair and Maintenance	0	385	0
Contract Labor	5,000	3,035	2,907
Equipment Rentals	300	269	874
	\$ 7,470	\$ 4,767	\$ 4,117
Total Public Works	\$ 54,545	\$ 77,084	\$ 49,040
Other Functions			
Fringe Benefits			
State Unemployment	\$ 6,600	\$ 0	\$ 0
Health and Life Insurance	34,300	50,991	34,950
Workers Compensation Insurance	2,365	4,220	1,026
Disability and Life	0	2,755	1,789
Pension	800	900	0
Dental and Vision	650	6,548	505
Cafeteria Plan	600	544	544
	\$ 45,315	\$ 65,958	\$ 38,814

CITY OF POTTERVILLE, MICHIGAN

DETAIL-SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Land Contract			
Principal	\$ 0	\$ 0	\$ 15,200
Interest	0	0	475
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,675</u>
 Prior Year Adjustments	 \$ 0	 \$ 693	 \$ 0
 Total Other Functions	 \$ 45,315	 \$ 66,651	 \$ 54,489
 Total Expenditures	 \$ 564,533	 \$ 591,810	 \$ 555,028
 Excess (Deficiency) of Revenues Over Expenditures	 \$ 216,767	 \$ 125,230	 \$ 147,195
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In - Major Street Fund	\$ 0	\$ 0	\$ 462
Operating Transfers In - Local Street Fund	0	0	462
Operating Transfers In - Park Fund	0	0	1,153
Operating Transfers In - Sewer Fund	0	0	4,120
Operating Transfers In - Water Fund	0	0	8,831
Operating Transfers In - Equipment Fund	0	0	170
Operating Transfers In - Sunset Hills Special Assessment	0	187	0
Operating Transfers Out - Park Fund	(127,000)	(138,000)	(111,300)
Operating Transfers Out - Equipment Fund	(4,500)	(48,000)	(28,000)
Operating Transfers Out - Storm Drain Debt Fund	(20,660)	(18,000)	(34,630)
 Total Other Financing Sources (Uses)	 \$ (152,160)	 \$ (203,813)	 \$ (158,732)
 Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	 \$ 64,607	 \$ (78,583)	 \$ (11,537)
 <u>FUND BALANCE</u> - Beginning of Year	 205,526	 205,526	 217,063
 <u>FUND BALANCE</u> - End of Year	 <u>\$ 270,133</u>	 <u>\$ 126,943</u>	 <u>\$ 205,526</u>

CITY OF POTTERVILLE, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	2004	2003
<u>ASSETS</u>		
Cash	\$ 192,250	\$ 91,444
Due from Other Governments		
State of Michigan	65,949	15,707
Due from General Fund	1,728	0
Prepaid Expenses	0	51
TOTAL ASSETS	<u>\$ 259,927</u>	<u>\$ 107,202</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,257	\$ 196
Pension Payable	366	1,121
Due to General Fund	45,517	470
Total Liabilities	<u>\$ 47,140</u>	<u>\$ 1,787</u>
<u>FUND BALANCE</u>		
Reserved for		
Prepaid Expenses	\$ 0	\$ 51
Unreserved		
Undesignated	212,787	105,364
Total Fund Balance	<u>\$ 212,787</u>	<u>\$ 105,415</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 259,927</u>	<u>\$ 107,202</u>

CITY OF POTTERVILLE, MICHIGAN
MAJOR STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
State Grants			
State Revenue Sharing - Act 51	89,500	98,070	90,949
Interest and Rents			
Interest	1,000	827	1,471
Miscellaneous	0	1,728	462
Total Revenues	<u>\$ 90,500</u>	<u>\$ 100,625</u>	<u>\$ 92,882</u>
<u>EXPENDITURES</u>			
Public Works			
Street Construction			
Street Materials and Supplies	\$ 750	\$ 0	\$ 0
Engineer Fees	0	5,120	1,157
Contract Labor	0	150	53,408
	<u>\$ 750</u>	<u>\$ 5,270</u>	<u>\$ 54,565</u>
Street Construction - Vermontville Highway			
Attorney	\$ 0	\$ 0	\$ 34
Engineer Fees	20,000	12,701	9,313
Contract Labor	70,000	0	0
Land Acquisition	0	4,048	0
	<u>\$ 90,000</u>	<u>\$ 16,749</u>	<u>\$ 9,347</u>
Street Construction - Enhancement			
Attorney	\$ 0	\$ 0	\$ 230
Routine Maintenance			
Salaries	\$ 7,300	\$ 8,148	\$ 9,112
Social Security	700	504	565
Medicare	170	118	135
Pension	730	600	893
State Unemployment	40	53	52
Street Materials and Supplies	4,400	2,270	949
Contract Labor	0	3,049	700
Disability and Life Insurance	90	0	0
Health Insurance	1,400	318	1,618
Workers Compensation Insurance	260	0	0
Dental and Vision	180	0	199

CITY OF POTTERVILLE, MICHIGAN
MAJOR STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Liability Insurance	100	162	81
Equipment Rentals	1,800	0	893
	<u>\$ 17,170</u>	<u>\$ 15,222</u>	<u>\$ 15,197</u>
Winter Maintenance			
Salaries	\$ 7,000	\$ 2,932	\$ 2,282
Social Security	435	178	138
Medicare	100	42	34
Pension	700	247	228
State Unemployment	10	70	20
Street Materials and Supplies	4,000	2,514	2,324
Disability and Life Insurance	90	0	0
Health Insurance	1,400	0	0
Workers Compensation Insurance	260	0	200
Dental and Vision	180	0	126
Liability Insurance	2,200	2,788	0
Equipment Rentals	2,500	0	551
	<u>\$ 18,875</u>	<u>\$ 8,771</u>	<u>\$ 5,903</u>
Special Maintenance			
Tree Trimming	\$ 2,500	\$ 1,975	\$ 480
Administration			
Audit	\$ 0	\$ 1,000	\$ 0
Salary Reimbursement - City Manager	2,800	2,800	0
Payroll Taxes	0	51	0
	<u>\$ 2,800</u>	<u>\$ 3,851</u>	<u>\$ 0</u>
Traffic Signs			
Street Materials and Supplies	\$ 500	\$ 584	\$ 457
Equipment Rental	100	0	0
	<u>\$ 600</u>	<u>\$ 584</u>	<u>\$ 457</u>
Total Public Works	<u>\$ 132,695</u>	<u>\$ 52,422</u>	<u>\$ 86,179</u>
Debt Service			
Principal	\$ 5,185	\$ 20,184	\$ 19,984
Interest and Fiscal Charges	650	1,191	2,471
	<u>\$ 5,835</u>	<u>\$ 21,375</u>	<u>\$ 22,455</u>
Total Expenditures	<u>\$ 138,530</u>	<u>\$ 73,797</u>	<u>\$ 108,634</u>

CITY OF POTTERVILLE, MICHIGAN
MAJOR STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (48,030)	\$ 26,828	\$ (15,752)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In - Component Unit	\$ 0	\$ 80,544	\$ 16,624
Operating Transfers Out - General Fund	0	0	(462)
Total Other Financing Sources (Uses)	\$ 0	\$ 80,544	\$ 16,162
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (48,030)	\$ 107,372	\$ 410
<u>FUND BALANCE</u> - Beginning of Year	105,415	105,415	105,005
<u>FUND BALANCE</u> - End of Year	<u>\$ 57,385</u>	<u>\$ 212,787</u>	<u>\$ 105,415</u>

CITY OF POTTERVILLE, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 68,503	\$ 63,113
Due from Other Governments		
State of Michigan	24,780	5,886
Prepaid Expenses	0	85
Due From Water Fund	470	0
TOTAL ASSETS	<u>\$ 93,753</u>	<u>\$ 69,084</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,123	\$ 196
Pension Payable	358	1,096
Due to General Fund	12,970	490
Total Liabilities	<u>\$ 14,451</u>	<u>\$ 1,782</u>
<u>FUND BALANCE</u>		
Reserved for		
Prepaid Expenses	\$ 0	\$ 85
Unreserved		
Undesignated	79,302	67,217
Total Fund Balance	<u>\$ 79,302</u>	<u>\$ 67,302</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 93,753</u>	<u>\$ 69,084</u>

CITY OF POTTERVILLE, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
State Grants			
State Revenue Sharing - Act 51	\$ 33,500	\$ 36,827	\$ 34,089
Interest and Rents			
Interest	500	499	699
Other Revenue			
Miscellaneous	0	0	666
Total Revenues	<u>\$ 34,000</u>	<u>\$ 37,326</u>	<u>\$ 35,454</u>
<u>EXPENDITURES</u>			
Public Works			
Routine Maintenance			
Salaries	\$ 7,500	\$ 8,132	\$ 8,826
Social Security	465	519	548
Medicare	110	118	131
Pension	750	598	864
State Unemployment	40	53	50
Street Materials and Supplies	4,500	1,856	1,268
Service	5,000	0	0
Disability and Life Insurance	90	0	0
Health Insurance	1,400	1,541	1,618
Workers Compensation Insurance	260	255	0
Dental and Vision	180	0	198
Liability Insurance	100	129	80
Equipment Rentals	1,500	(607)	644
	<u>\$ 21,895</u>	<u>\$ 12,594</u>	<u>\$ 14,227</u>
Winter Maintenance			
Salaries	\$ 7,000	\$ 3,108	\$ 2,318
Social Security	435	189	140
Medicare	100	44	35
Pension	700	263	232
State Unemployment	10	71	20
Street Materials and Supplies	4,500	2,185	2,323
Disability and Life Insurance	90	0	0

CITY OF POTTERVILLE, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Health Insurance	1,400	390	0
Workers Compensation Insurance	260	255	200
Dental and Vision	180	0	126
Liability Insurance	2,200	2,121	0
Equipment Rentals	2,500	607	530
	<u>\$ 19,375</u>	<u>\$ 9,233</u>	<u>\$ 5,924</u>
Special Maintenance			
Tree Trimming	<u>\$ 2,500</u>	<u>\$ 1,975</u>	<u>\$ 405</u>
Administration			
Audit	<u>\$ 0</u>	<u>\$ 1,000</u>	<u>\$ 0</u>
Traffic Signs			
Street Materials and Supplies	<u>\$ 500</u>	<u>\$ 524</u>	<u>\$ 455</u>
Total Expenditures	<u>\$ 44,270</u>	<u>\$ 25,326</u>	<u>\$ 21,011</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (10,270)</u>	<u>\$ 12,000</u>	<u>\$ 14,443</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers Out - General Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (462)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	<u>\$ (10,270)</u>	<u>\$ 12,000</u>	<u>\$ 13,981</u>
<u>FUND BALANCE</u> - Beginning of Year - (Deficit)	<u>67,302</u>	<u>67,302</u>	<u>53,321</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 57,032</u></u>	<u><u>\$ 79,302</u></u>	<u><u>\$ 67,302</u></u>

CITY OF POTTERVILLE, MICHIGAN

PARK FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	2004	2003
<u>ASSETS</u>		
Cash	\$ 2,749	\$ 472
Due From General Fund	2,000	0
TOTAL ASSETS	<u>\$ 4,749</u>	<u>\$ 472</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 3,704	\$ 1,107
Payroll Withholdings	0	215
Pension Payable	527	1,615
Total Liabilities	<u>\$ 4,231</u>	<u>\$ 2,937</u>
<u>FUND BALANCE (DEFICIT)</u>		
Unreserved		
Undesignated	\$ 518	\$ (2,465)
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,749</u>	<u>\$ 472</u>

CITY OF POTTERVILLE, MICHIGAN

PARK FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Fees and Rents			
3% Cable Television	\$ 7,000	\$ 7,280	\$ 6,954
League Fees	12,000	9,886	8,320
Mud Bog	0	4,218	0
Player Fees	3,000	1,255	3,342
Tournament Fees	7,500	4,650	8,002
Promotion Fees	1,000	650	450
Field Rental	2,500	4,817	2,488
Pavilion Rent	700	646	900
Other Revenue			
Professional Shop	250	24	230
Concessions	5,000	2,477	2,607
Miscellaneous	0	272	1,154
Total Revenues	<u>\$ 38,950</u>	<u>\$ 36,175</u>	<u>\$ 34,447</u>
<u>EXPENDITURES</u>			
Recreation and Culture			
Lake Alliance Maintenance			
Salaries	\$ 7,700	\$ 7,624	\$ 6,813
Social Security	480	471	422
Medicare	110	110	101
Pension	770	507	670
State Unemployment	25	48	43
Supplies	250	184	20
Service	100	50	1,003
Office Supplies	250	0	330
Contract Labor	0	0	1,693
Disability and Life	120	0	0
Health Insurance	1,400	0	0
Workers Compensation Insurance	95	0	0
Dental and Vision	160	0	172

CITY OF POTTERVILLE, MICHIGAN

PARK FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Liability Insurance	150	0	140
Equipment Rental	2,000	2,225	866
Capital Outlay - Equipment	500	0	0
	<u>\$ 14,110</u>	<u>\$ 11,219</u>	<u>\$ 12,273</u>
City Park Maintenance			
Salaries	\$ 10,000	\$ 9,996	\$ 9,674
Social Security	620	616	600
Medicare	145	144	141
Pension	1,000	680	945
State Unemployment	35	59	52
Supplies	1,200	2,167	1,551
Service	1,000	5,105	1,215
Office Supplies	50	0	991
Contract Labor	1,500	0	1,008
Disability and Life	120	0	0
Health Insurance	1,400	1,826	0
Workers Compensation Insurance	120	0	0
Dental and Vision	160	0	172
Liability Insurance	800	0	758
Utilities	3,000	3,493	2,396
DPW Maintenance and Repair	100	576	75
Equipment Rental	2,500	1,978	635
	<u>\$ 23,750</u>	<u>\$ 26,640</u>	<u>\$ 20,213</u>
Ball Field			
Salaries	\$ 17,000	\$ 14,616	\$ 13,729
Social Security	1,055	617	851
Medicare	245	141	199
State Unemployment	240	18	48
Pension	0	17	0
Supplies	2,000	4,523	4,383
Postage	0	148	0

CITY OF POTTERVILLE, MICHIGAN

PARK FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Repairs and Maintenance	0	1,062	268
Service	2,200	3,748	2,947
Office Supplies	2,000	2,509	1,514
Contract Labor	970	605	1,195
Telephone Expense	500	335	504
Disability and Life	250	0	0
Health Insurance	100	0	0
Workers Compensation Insurance	210	0	0
Liability Insurance	1,100	0	1,006
Utilities	3,500	3,369	2,780
DPW Maintenance and Repair	0	35	412
Equipment Rental	400	208	418
Refund and Rebates	0	480	0
Capital Outlay - Equipment	1,500	0	0
	<u>\$ 33,270</u>	<u>\$ 32,431</u>	<u>\$ 30,254</u>
Mud Bog			
Supplies	\$ 0	\$ 724	\$ 0
Service	0	765	0
Trophies and Awards	0	420	0
Miscellaneous	0	2,808	0
	<u>\$ 0</u>	<u>\$ 4,717</u>	<u>\$ 0</u>
Concessions			
State Unemployment	\$ 0	\$ 0	\$ 140
Attorney	0	0	238
Supplies	0	84	0
Service	0	350	0
Office Supplies	240	424	210
Liability Insurance	220	0	201
Miscellaneous	0	0	318
Utilities	0	0	84
	<u>\$ 460</u>	<u>\$ 858</u>	<u>\$ 1,191</u>

CITY OF POTTERVILLE, MICHIGAN

PARK FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Debt Service			
Principal	\$ 50,000	\$ 50,000	\$ 50,000
Interest	43,730	43,727	47,253
Fiscal Charges	800	1,600	0
	<u>\$ 94,530</u>	<u>\$ 95,327</u>	<u>\$ 97,253</u>
 Total Expenditures	 <u>\$ 166,120</u>	 <u>\$ 171,192</u>	 <u>\$ 161,184</u>
 Excess (Deficiency) of Revenues Over Expenditures	 \$ (127,170)	 \$ (135,017)	 \$ (126,737)
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In - General Fund	\$ 127,000	\$ 138,000	\$ 111,300
Operating Transfers Out - General Fund	0	0	(1,154)
	<u>\$ 127,000</u>	<u>\$ 138,000</u>	<u>\$ 110,146</u>
Total Other Financing Sources (Uses)			
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(170)	2,983	(16,591)
 <u>FUND BALANCE (DEFICIT) - Beginning of Year</u>	 <u>(2,465)</u>	 <u>(2,465)</u>	 <u>14,126</u>
 <u>FUND BALANCE (DEFICIT) - End of Year</u>	 <u>\$ (2,635)</u>	 <u>\$ 518</u>	 <u>\$ (2,465)</u>

CITY OF POTTERVILLE, MICHIGAN

SUNSET HILLS SPECIAL ASSESSMENT BOND FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 45,912	\$ 13,246
Special Assessments Receivable	149,723	207,802
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 195,635</u>	<u>\$ 221,048</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 149,723	\$ 207,802
<u>FUND BALANCE</u>		
Reserved for Debt Service	45,912	13,246
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 195,635</u>	<u>\$ 221,048</u>

CITY OF POTTERVILLE, MICHIGAN

SUNSET HILLS SPECIAL ASSESSMENT BOND FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Special Assessments	\$ 35,000	\$ 40,725	\$ 38,563
Interest Income	0	9,953	13,314
Total Revenues	<u>\$ 35,000</u>	<u>\$ 50,678</u>	<u>\$ 51,877</u>
<u>EXPENDITURES</u>			
Debt Service			
Principal	\$ 25,000	\$ 25,000	\$ 25,000
Interest and Fiscal Charges	13,990	14,004	15,320
Total Expenditures	<u>\$ 38,990</u>	<u>\$ 39,004</u>	<u>\$ 40,320</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,990)	\$ 11,674	\$ 11,557
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer to General Fund	\$ 0	\$ (187)	\$ 0
<u>FUND BALANCE</u> - Beginning of Year	<u>34,425</u>	<u>34,425</u>	<u>1,689</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 30,435</u>	<u>\$ 45,912</u>	<u>\$ 13,246</u>

CITY OF POTTERVILLE, MICHIGAN

STORM DRAIN DEBT FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 3,834	\$ 14,127
Special Assessments Receivable	<u>53,216</u>	<u>51,781</u>
TOTAL ASSETS	<u>\$ 57,050</u>	<u>\$ 65,908</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 53,216	\$ 51,781
<u>FUND BALANCE</u>		
Reserved for Debt Service	<u>3,834</u>	<u>14,127</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 57,050</u>	<u>\$ 65,908</u>

CITY OF POTTERVILLE, MICHIGAN

STORM DRAIN DEBT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Special Assessments	\$ 9,000	\$ 5,622	\$ 8,908
Interest Income	0	2,852	2,970
Total Revenues	\$ 9,000	\$ 8,474	\$ 11,878
<u>EXPENDITURES</u>			
Debt Service			
Principal	\$ 25,000	\$ 25,000	\$ 25,000
Interest and Fiscal Charges	13,905	13,903	15,653
Total Expenditures	\$ 38,905	\$ 38,903	\$ 40,653
Excess (Deficiency) of Revenues Over Expenditures	\$ (29,905)	\$ (30,429)	\$ (28,775)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In - General Fund	20,660	18,000	34,630
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	\$ (9,245)	\$ (12,429)	\$ 5,855
<u>FUND BALANCE</u> - Beginning of Year	16,263	16,263	8,272
<u>FUND BALANCE</u> - End of Year	\$ 7,018	\$ 3,834	\$ 14,127

CITY OF POTTERVILLE, MICHIGAN

WATER SUPPLY SYSTEM
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<u>CURRENT ASSETS</u>			
Cash		\$ 306,672	\$ 316,376
Receivables			
Accounts		21,646	21,987
Due From General Fund		10,000	0
Prepaid Expenses		0	317
Total Current Assets		<u>\$ 338,318</u>	<u>\$ 338,680</u>
<u>RESTRICTED ASSETS</u>			
Cash		<u>\$ 162</u>	<u>\$ 396,385</u>
<u>CAPITAL ASSETS</u>			
Land		\$ 23,713	\$ 23,713
Mains and Connections		846,958	613,404
Wells and Controls		805,592	238,257
Machinery and Equipment		718,815	718,815
Construction in Progress		0	311,349
		<u>\$ 2,395,078</u>	<u>\$ 1,905,538</u>
Less Accumulated Depreciation		<u>438,804</u>	<u>399,883</u>
Total Capital Assets, net		<u>\$ 1,956,274</u>	<u>\$ 1,505,655</u>
TOTAL ASSETS		<u>\$ 2,294,754</u>	<u>\$ 2,240,720</u>

CITY OF POTTERVILLE, MICHIGAN

WATER SUPPLY SYSTEM
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 5,322	\$ 0
Accrued Interest Payable	8,555	0
Customer Deposits Payable	6,420	5,940
Pension Payable	2,415	9,313
Due to Other Funds		
General Fund	470	0
Local Street Fund	470	0
Sewer Fund	248	0
Total Current Liabilities	\$ 23,900	\$ 15,253
<u>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u>		
Current Portion of Long-Term Debt		
Water System Bonds	15,000	15,000
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable	670,000	685,000
Total Liabilities	\$ 708,900	\$ 715,253
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 1,271,274	\$ 805,655
Unrestricted	314,580	719,812
TOTAL NET ASSETS	<u>\$ 1,585,854</u>	<u>\$ 1,525,467</u>

CITY OF POTTERVILLE, MICHIGAN

WATER SUPPLY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>			
Charges for Services			
Sales	\$ 210,000	218,262	\$ 212,808
Other Revenue			
Hydrant Rental	10,000	10,000	10,000
Delinquent Bills on Taxes	800	0	0
Penalties on Delinquent Accounts	5,000	4,755	2,957
Miscellaneous Income	1,500	884	24,082
Total Operating Revenues	<u>\$ 227,300</u>	<u>\$ 233,901</u>	<u>\$ 249,847</u>
<u>OPERATING EXPENSES</u>			
Public Works			
Administration and General			
Salaries	\$ 38,700	\$ 27,657	\$ 36,893
Social Security	2,400	1,676	2,215
Medicare	560	392	529
Pension	3,870	2,237	3,616
State Unemployment	160	340	281
Salary Reimbursement - City Manager	8,600	8,600	0
Liability Insurance	2,650	2,831	2,443
Computer Software	3,815	0	940
Operating Supplies	0	168	0
Postage	1,200	1,162	937
Professional Services	2,500	2,800	0
Engineer Fees	5,000	0	4,953
Office Supplies	2,000	280	490
Contract Labor	4,300	973	1,267
Membership and Dues	0	275	0
Telephone	1,500	391	569
Conferences and Workshops	300	335	0
Health Insurance	10,000	7,427	4,010
Worker's Compensation	730	919	(1,388)
Dental and Vision Insurance	1,400	2,976	741
Disability and Life Insurance	1,000	0	0
Capital Outlay - Computer Equipment	250	0	0
	<u>\$ 90,935</u>	<u>\$ 61,439</u>	<u>\$ 58,496</u>

CITY OF POTTERVILLE, MICHIGAN

WATER SUPPLY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Collection and Distribution			
Salaries	\$ 40,000	\$ 35,879	\$ 38,813
Social Security	2,480	2,210	2,458
Medicare	580	517	586
Pension	4,000	2,458	3,785
State Unemployment	130	307	556
Printing and Publishing	500	1,319	660
Operating Supplies	8,000	1,007	5,553
Repair and Maintenance	5,000	100	3,031
Service	6,000	5,824	9,196
Meters	4,000	2,903	2,425
Office Supplies	750	242	253
Dental and Vision Insurance	0	0	867
Utilities	13,000	13,466	5,084
Equipment Rental	10,000	3,143	6,313
Capital Outlay - Equipment	20,000	0	0
Line Extension	10,000	0	0
Prior Year Deprecation Adjustment	0	5,176	0
Depreciation	28,000	33,080	19,829
	<u>\$ 152,440</u>	<u>\$ 107,631</u>	<u>\$ 99,409</u>
Total Operating Expenses	<u>\$ 243,375</u>	<u>\$ 169,070</u>	<u>\$ 157,905</u>
Operating Income (Loss)	<u>\$ (16,075)</u>	<u>\$ 64,831</u>	<u>\$ 91,942</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	\$ 9,000	\$ 21	\$ 3,233
Hook-Up Fees	20,000	39,100	68,724
Transfers Out - General Fund	0	0	(8,831)
Principal Payments	(32,940)	0	0
Interest and Fiscal Charges	(32,056)	(43,565)	(14,821)
Total Nonoperating Revenues (Expenses)	<u>\$ (35,996)</u>	<u>\$ (4,444)</u>	<u>\$ 48,305</u>
Change in Net Assets	<u>\$ (52,071)</u>	<u>\$ 60,387</u>	<u>\$ 140,247</u>
<u>NET ASSETS</u> - Beginning of Year	<u>1,525,467</u>	<u>1,525,467</u>	<u>1,385,220</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 1,473,396</u>	<u>\$ 1,585,854</u>	<u>\$ 1,525,467</u>

CITY OF POTTERVILLE, MICHIGAN

WATER SUPPLY SYSTEM
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers and Other Revenues	\$ 224,242	\$ 236,414
Cash Payments to Suppliers for Goods and Services	(49,529)	(88,622)
Cash Payments to Employees for Services	(72,136)	(42,951)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	\$ 102,577	\$ 104,841
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities:		
Operating Transfers Out	\$ 0	\$ (8,831)
Customer Deposits Payable	480	90
Other	0	(317)
	<hr/>	<hr/>
Net Cash Provided by Noncapital Financing Activities	\$ 480	\$ (9,058)
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Tap Fees	\$ 39,100	\$ 68,724
Proceeds from Bonds	0	700,000
Acquisition of Capital Assets	(489,540)	(301,973)
Principal Paid on Debt	(15,000)	0
Interest Paid on Debt	(43,565)	(14,821)
	<hr/>	<hr/>
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (509,005)	\$ 451,930
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest Received	\$ 21	\$ 3,233
	<hr/>	<hr/>
Net Cash Provided (Used) by Investing Activities	\$ 21	\$ 3,233
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (405,927)	\$ 550,946
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<hr/> 712,761	<hr/> 161,815
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<hr/> \$ 306,834	<hr/> \$ 712,761

CITY OF POTTERVILLE, MICHIGAN

WATER SUPPLY SYSTEM
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>RECONCILIATION OF OPERATING INCOME TO</u> <u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ 64,831	\$ 81,337
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	\$ 38,921	\$ 30,434
(Increase) Decrease in Current Assets		
Accounts Receivable	341	(13,433)
Due From Other Funds	(10,000)	0
Prepaid Expenses	317	0
Increase (Decrease) in Current Liabilities		
Accounts Payable	5,322	(1,275)
Due to Other Funds	1,188	0
Accrued Interest Payable	8,555	0
Pension Payable	(6,898)	7,778
Total Adjustments	\$ 37,746	\$ 23,504
Net Cash Provided (Used) by Operating Activities	<u>\$ 102,577</u>	<u>\$ 104,841</u>

CITY OF POTTERVILLE, MICHIGAN

SEWAGE DISPOSAL SYSTEM
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<u>CURRENT ASSETS</u>			
Cash		\$ 197,250	\$ 177,709
Receivables			
Accounts		10,468	17,151
Due from Other Funds			
General Fund		9,202	0
Water Fund		248	0
Equipment Fund		10,535	7,872
Prepaid Expenses		0	317
Total Current Assets		\$ 227,703	\$ 203,049
<u>RESTRICTED ASSETS</u>			
Cash		\$ 41,815	\$ 41,565
<u>CAPITAL ASSETS</u>			
Land		\$ 236,363	\$ 236,363
Treatment System		83,377	83,377
Collection Lines		3,825,539	3,825,539
Machinery and Equipment		12,427	12,427
		\$ 4,157,706	\$ 4,157,706
Less Accumulated Depreciation		1,767,477	1,686,305
Total Capital Assets, net		\$ 2,390,229	\$ 2,471,401
TOTAL ASSETS		\$ 2,659,747	\$ 2,716,015

CITY OF POTTERVILLE, MICHIGAN

SEWAGE DISPOSAL SYSTEM
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 5,569	\$ 1,610
Accrued Interest Payable	2,675	2,808
Customer Deposits Payable	6,480	6,000
Pension Payable	2,443	7,713
Total Current Liabilities	\$ 17,167	\$ 18,131
<u>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u>		
Current Portion of Long-Term Debt		
Revenue Bonds Payable	16,000	16,000
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable	305,000	321,000
Total Liabilities	\$ 338,167	\$ 355,131
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 2,069,229	\$ 2,134,401
Unrestricted	252,351	226,483
TOTAL NET ASSETS	\$ 2,321,580	\$ 2,360,884

CITY OF POTTERVILLE, MICHIGAN

SEWAGE DISPOSAL SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>			
Charges for Services			
Sales	\$ 180,000	\$ 163,040	\$ 182,472
Other Revenue			
Delinquent Bills on Taxes	1,000	0	0
Penalties on Delinquent Accounts	5,000	3,962	3,775
Miscellaneous	0	1,138	15,495
Total Operating Revenues	\$ 186,000	\$ 168,140	\$ 201,742
<u>OPERATING EXPENSES</u>			
Public Works			
Administration and General			
Salaries	\$ 38,700	\$ 29,551	\$ 36,605
Social Security	2,400	1,794	2,260
Medicare	560	419	539
Pension	3,870	2,290	3,587
Disability and Life Insurance	1,000	0	0
State Unemployment	160	343	281
Salary Reimbursement - City Manager	8,600	8,600	0
Workshops and Conferences	250	155	35
Operating Supplies	500	673	616
Computer Software	3,815	0	0
Office Supplies	2,000	713	0
Liability Insurance	6,800	6,768	6,581
Postage	1,000	1,466	914
Professional Services	2,500	2,800	0
Engineer Fees	0	151	0
Contract Labor	2,000	1,226	4,405
Telephone Expense	1,500	1,092	1,205
Health Insurance	10,300	6,696	2,392
Workers Compensation Insurance	725	919	200
Dental and Vision Insurance	1,500	1,190	461
Capital Outlay - Computer Equipment	250	0	940
	\$ 88,430	\$ 66,846	\$ 61,021

CITY OF POTTERVILLE, MICHIGAN

SEWAGE DISPOSAL SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Collection System			
Salaries	\$ 45,120	\$ 41,776	\$ 39,783
Social Security	2,800	2,584	2,463
Medicare	655	604	586
Pension	4,515	2,671	3,902
Health and Life Insurance	0	0	1,145
State Unemployment	145	310	230
Operating Supplies	6,000	3,530	5,173
Repair and Maintenance	1,000	672	842
Service	4,000	3,636	6,555
Office Supplies	250	413	298
Utilities	8,000	10,361	7,207
Meters	4,000	2,904	2,425
Equipment Rental	10,000	3,398	3,293
Line Extension	5,000	0	0
Capital Outlay - Equipment	20,000	0	0
Depreciation	30,000	81,172	35,314
	<u>\$ 141,485</u>	<u>\$ 154,031</u>	<u>\$ 109,216</u>
Total Operating Expenses	<u>\$ 229,915</u>	<u>\$ 220,877</u>	<u>\$ 170,237</u>
Operating Income (Loss)	<u>\$ (43,915)</u>	<u>\$ (52,737)</u>	<u>\$ 31,505</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	\$ 6,000	\$ 250	\$ 432
Hook-Up Fees	23,000	29,900	60,608
Transfers Out - General Fund	0	0	(4,120)
Interest and Fiscal Charges	(16,850)	(16,717)	(17,475)
Total Nonoperating Revenues (Expenses)	<u>\$ 12,150</u>	<u>\$ 13,433</u>	<u>\$ 39,445</u>
Change in Net Assets	<u>\$ (31,765)</u>	<u>\$ (39,304)</u>	<u>\$ 70,950</u>
<u>NET ASSETS</u> - Beginning of Year	<u>2,360,884</u>	<u>2,360,884</u>	<u>2,289,934</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 2,329,119</u></u>	<u><u>\$ 2,321,580</u></u>	<u><u>\$ 2,360,884</u></u>

CITY OF POTTERVILLE, MICHIGAN

SEWAGE DISPOSAL SYSTEM
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers and Other Revenues	\$ 162,710	\$ 196,815
Cash Payments to Suppliers for Goods and Services	(60,905)	(82,437)
Cash Payments to Employees for Services	(79,927)	(38,581)
	<u> </u>	<u> </u>
Net Cash Provided by Operating Activities	\$ 21,878	\$ 75,797
	<u> </u>	<u> </u>
Cash Flows from Noncapital Financing Activities:		
Operating Transfers Out	\$ 0	\$ (4,120)
Customer Deposits Payable	480	150
Other	0	3,684
	<u> </u>	<u> </u>
Net Cash Provided by Noncapital Financing Activities	\$ 480	\$ (286)
	<u> </u>	<u> </u>
Cash Flows from Capital and Related Financing Activities		
Proceeds From Tap Fees	\$ 29,900	\$ 52,824
Acquisition of Capital Assets	0	116
Principal Paid on Bonds	(16,000)	(15,000)
Interest Paid on Bonds	(16,717)	(17,600)
	<u> </u>	<u> </u>
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (2,817)	\$ 20,340
	<u> </u>	<u> </u>
Cash Flows from Investing Activities		
Purchase of Investments	\$ (250)	\$ (432)
Interest Received	250	432
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Investing Activities	\$ 0	\$ 0
	<u> </u>	<u> </u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 19,541	\$ 95,851
	<u> </u>	<u> </u>
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>177,709</u>	<u>81,858</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 197,250</u>	<u>\$ 177,709</u>

CITY OF POTTERVILLE, MICHIGAN

SEWAGE DISPOSAL SYSTEM
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>RECONCILIATION OF OPERATING INCOME TO</u> <u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ (52,737)	\$ (6,508)
Adjustments to Reconcile Operating Income to		
Net Cash Provided (Used) by Operating Activities		
Depreciation	\$ 81,172	\$ 81,220
(Increase) Decrease in Current Assets		
Accounts Receivable	6,683	(4,927)
Due from Other Funds	(12,113)	0
Prepaid Expenses	317	0
Increase (Decrease) in Current Liabilities		
Accounts Payable	3,959	(1,732)
Accrued Interest Payable	(133)	0
Pension Payable	(5,270)	7,744
Total Adjustments	\$ 74,615	\$ 82,305
Net Cash Provided (Used) by Operating Activities	\$ 21,878	\$ 75,797

CITY OF POTTERVILLE, MICHIGAN

EQUIPMENT POOL FUND
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 0	\$ 676
Due from General Fund	24,020	0
Prepaid Expenses	0	479
Total Current Assets	\$ 24,020	\$ 1,155
<u>RESTRICTED ASSETS</u>		
Cash	\$ 5,000	\$ 5,000
<u>CAPITAL ASSETS</u>		
Buildings	\$ 0	\$ 24,020
Vehicles	154,306	154,306
Machinery and Equipment	108,664	108,664
	262,970	286,990
Less Accumulated Depreciation	191,448	174,991
Net Capital Assets	\$ 71,522	\$ 111,999
TOTAL ASSETS	\$ 100,542	\$ 118,154

CITY OF POTTERVILLE, MICHIGAN

EQUIPMENT POOL FUND
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Bank Overdraft	\$ 15,193	\$ 0
Accounts Payable	2,859	71
Due to Sewer Fund	10,535	7,872
Pension Payable	377	1,156
Current Portion of Long-Term Liabilities	10,891	10,475
	<hr/>	<hr/>
Total Current Liabilities	\$ 39,855	\$ 19,574
	<hr/>	<hr/>
<u>LONG-TERM LIABILITIES</u>		
Note Payable - 2001 GMC Truck	\$ 25,003	\$ 30,837
Lease Contract	0	5,057
Total Long-Term Liabilities	<hr/> \$ 25,003	<hr/> \$ 35,894
	<hr/>	<hr/>
Total Liabilities	\$ 64,858	\$ 55,468
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	35,628	65,630
Unrestricted	56	(2,944)
	<hr/>	<hr/>
TOTAL NET ASSETS	<hr/> \$ 35,684	<hr/> \$ 62,686

CITY OF POTTERVILLE, MICHIGAN

EQUIPMENT POOL FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>OPERATING REVENUES</u>			
Equipment Rental	\$ 37,000	\$ 12,880	\$ 17,083
Other Income			
Gas	3,300	920	2,906
Miscellaneous Income	0	174	363
Total Operating Revenues	\$ 40,300	\$ 13,974	\$ 20,352
<u>OPERATING EXPENSES</u>			
Equipment Pool Activities			
Salaries	\$ 10,000	\$ 14,370	\$ 11,665
Social Security	620	873	717
Medicare	145	204	172
Pension	1,000	1,035	1,155
State Unemployment	35	168	86
Supplies	6,500	12,315	8,592
Repair and Maintenance	10,500	9,585	8,307
Radio Repairs	0	488	0
Service	3,000	4,008	4,265
Gas	8,000	8,017	7,270
Health Insurance	1,800	2,192	2,158
Workers Compensation Insurance	185	3,574	186
Disability and Life Insurance	500	0	0
Dental and Vision	210	1,190	(1,013)
Liability Insurance	7,000	7,120	6,684
Utilities	2,700	4,971	4,721
Depreciation Expense	20,000	16,457	16,275
Capital Outlay - Equipment	5,200	0	0
Total Operating Expenses	\$ 77,395	\$ 86,567	\$ 71,240
Operating Income (Loss)	\$ (37,095)	\$ (72,593)	\$ (50,888)

CITY OF POTTERVILLE, MICHIGAN

EQUIPMENT POOL FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Sale of Equipment	\$ 0	\$ 0	\$ 1,550
Loss on Disposal of Equipment	0	0	(82)
Transfers In - General Fund	9,500	48,000	28,000
Transfers Out - General Fund	0	0	(170)
Interest and Fiscal Charges	(2,335)	(2,409)	(2,961)
Total Nonoperating Revenues (Expenses)	\$ 7,165	\$ 45,591	\$ 26,337
Change in Net Assets	\$ (29,930)	\$ (27,002)	\$ (24,551)
<u>NET ASSETS</u> - Beginning of Year	62,686	62,686	87,237
<u>NET ASSETS</u> - End of Year	\$ 32,756	\$ 35,684	\$ 62,686

CITY OF POTTERVILLE, MICHIGAN
EQUIPMENT POOL FUND
COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Operating Transactions with Other Funds	\$ (10,046)	\$ 20,352
Cash Payments to Suppliers for Goods and Services	(50,589)	(40,506)
Cash Payments to Employees for Services	(14,370)	(13,992)
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	\$ (75,005)	\$ (34,146)
	<u> </u>	<u> </u>
Cash Flows from Noncapital Financing Activities:		
Operating Transfers In	\$ 48,000	\$ 28,000
Operating Transfers Out	0	(170)
Other	0	(4,479)
	<u> </u>	<u> </u>
Net Cash Provided by Noncapital Financing Activities	\$ 48,000	\$ 23,351
	<u> </u>	<u> </u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	\$ 0	\$ (26,054)
Proceeds from Sale of Equipment	24,020	1,468
Principal Paid on Debt	(10,475)	(9,714)
Interest Paid on Debt	(2,409)	(2,997)
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ 11,136	\$ (37,297)
	<u> </u>	<u> </u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (15,869)	\$ (48,092)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>5,676</u>	<u>53,768</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ (10,193)</u>	<u>\$ 5,676</u>

CITY OF POTTERVILLE, MICHIGAN
EQUIPMENT POOL FUND
COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>		
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (72,593)	\$ (50,888)
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Provided (Used) by Operating Activities		
Depreciation	\$ 16,457	\$ 16,275
(Increase) Decrease in Current Assets		
Due from Other Funds	(24,020)	0
Prepaid Expenses	479	0
Increase (Decrease) in Current Liabilities		
Accounts Payable	2,788	(668)
Pension Payable	(779)	1,135
Due to Other Funds	2,663	0
Total Adjustments	\$ (2,412)	\$ 16,742
Net Cash Provided (Used) by Operating Activities	<u>\$ (75,005)</u>	<u>\$ (34,146)</u>

CITY OF POTTERVILLE, MICHIGAN

FIDUCIARY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	<u>EXTERNAL AGENCY FUNDS</u>		<u>TOTAL EXTERNAL AGENCY FUNDS</u>	<u>INTERNAL AGENCY FUNDS</u>
	<u>CURRENT TAX</u>	<u>DELINQUENT TAX</u>		<u>IMPREST PAYROLL</u>
<u>ASSETS</u>				
Cash	\$ 15,251	\$ 8	\$ 15,259	\$ 18,774
Due From Other Funds				
General Fund	0	0	0	965
Due from Other Governmental Units	0	89	89	0
Due from State of Michigan	0	0	0	1,607
TOTAL ASSETS	<u>\$ 15,251</u>	<u>\$ 97</u>	<u>\$ 15,348</u>	<u>\$ 21,346</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 999	\$ 0	\$ 999	\$ 0
Due to Other Governmental Units	14,252	97	14,349	0
Due to General Fund	0	0	0	2,334
Payroll Withholdings Payable	0	0	0	945
Pension Payable	0	0	0	18,067
TOTAL LIABILITIES	<u>\$ 15,251</u>	<u>\$ 97</u>	<u>\$ 15,348</u>	<u>\$ 21,346</u>

CITY OF POTTERVILLE, MICHIGAN

1979 SEWAGE DISPOSAL SYSTEM REVENUE BONDS

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	1979 Series, Sewage Disposal System Revenue Bonds		
<u>PURPOSE</u>	Construction of Sanitary Sewage Disposal System		
<u>DATE OF ISSUE</u>	November 1, 1979		
<u>AMOUNT OF ISSUE</u>		\$	551,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Period	\$	214,000	
During Current Period		<u>16,000</u>	<u>230,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2004			<u><u>\$ 321,000</u></u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2005	5.00%	\$ 32,050	\$ 16,050	\$ 16,000
May 1, 2006	5.00%	33,250	15,250	18,000
May 1, 2007	5.00%	32,350	14,350	18,000
May 1, 2008	5.00%	33,450	13,450	20,000
May 1, 2009	5.00%	32,450	12,450	20,000
May 1, 2010	5.00%	31,450	11,450	20,000
May 1, 2011	5.00%	33,450	10,450	23,000
May 1, 2012	5.00%	32,300	9,300	23,000
May 1, 2013	5.00%	33,150	8,150	25,000
May 1, 2014	5.00%	31,900	6,900	25,000
May 1, 2015	5.00%	32,650	5,650	27,000
May 1, 2016	5.00%	31,300	4,300	27,000
May 1, 2017	5.00%	30,950	2,950	28,000
May 1, 2018	5.00%	<u>32,550</u>	<u>1,550</u>	<u>31,000</u>
		<u>\$ 453,250</u>	<u>\$ 132,250</u>	<u>\$ 321,000</u>

CITY OF POTTERVILLE, MICHIGAN

LEASE PURCHASE AGREEMENT - JOHN DEERE BACKHOE

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	Lease Purchase Agreement for a John Deere Backhoe		
<u>PURPOSE</u>	Purchase John Deere Backhoe		
<u>DATE OF ISSUE</u>	November 25, 1997		
<u>AMOUNT OF ISSUE</u>	\$ 35,000		
<u>AMOUNT REDEEMED</u>			
Prior to Current Period	\$ 25,168		
During Current Period	<u>4,775</u>	<u>29,943</u>	
<u>BALANCE OUTSTANDING</u> - June 30, 2004		<u>\$ 5,057</u>	

SCHEDULE OF LEASE PURCHASE AGREEMENT PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 25, 2004	5.90%	<u>\$ 5,355</u>	<u>\$ 298</u>	<u>\$ 5,057</u>
		<u>\$ 5,355</u>	<u>\$ 298</u>	<u>\$ 5,057</u>

CITY OF POTTERVILLE, MICHIGAN

LEASE PURCHASE AGREEMENT - GMC PICKUP TRUCK

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	Lease Purchase Agreement for GMC 1-1/2 ton Pickup Truck		
<u>PURPOSE</u>	Purchase GMC 1-1/2 ton Pickup Truck		
<u>DATE OF ISSUE</u>	May 7, 2001		
<u>AMOUNT OF ISSUE</u>		\$	47,589
<u>AMOUNT REDEEMED</u>			
Prior to Current Period	\$	11,224	
During Current Period		<u>5,528</u>	<u>16,752</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2004		\$	<u>30,837</u>

SCHEDULE OF LEASE PURCHASE AGREEMENT PRINCIPAL AND INTEREST REQUIREMENTS

PAYMENTS DUE MONTHLY AT 5.00% INTEREST	TOTAL	INTEREST	PRINCIPAL
<u>ANNUAL INTEREST AND PRINCIPAL</u>			
June 30, 2005	\$ 7,250	\$ 1,416	\$ 5,834
June 30, 2006	7,250	1,111	6,139
June 30, 2007	7,251	797	6,454
June 30, 2008	7,250	466	6,784
June 30, 2009	<u>5,749</u>	<u>123</u>	<u>5,626</u>
	<u>\$ 34,750</u>	<u>\$ 3,913</u>	<u>\$ 30,837</u>

PAYMENTS ARE DUE MONTHLY AT \$604.18 AND INCLUDE INTEREST AT 5.00%

CITY OF POTTERVILLE, MICHIGAN

1991 SPECIAL ASSESSMENT BONDS - SERIES A

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	1991 Series A, Special Assessment Bonds
<u>PURPOSE</u>	Construct Storm Drain
<u>DATE OF ISSUE</u>	June 1, 1991
<u>AMOUNT OF ISSUE</u>	\$ 120,000
<u>AMOUNT REDEEMED</u>	
Prior to Current Period	\$ 70,000
During Current Period	<u>5,000</u>
	<u>75,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2004	<u>\$ 45,000</u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
January 1, 2005	7.00%	\$ 1,606	\$ 1,606	
July 1, 2005	7.00%	6,606	1,606	\$ 5,000
January 1, 2006	7.05%	1,431	1,431	
July 1, 2006	7.05%	6,431	1,431	5,000
January 1, 2007	7.10%	1,255	1,255	
July 1, 2007	7.10%	6,255	1,255	5,000
January 1, 2008	7.15%	1,078	1,078	
July 1, 2008	7.15%	11,078	1,078	10,000
January 1, 2009	7.20%	720	720	
July 1, 2009	7.20%	10,720	720	10,000
January 1, 2010	7.20%	360	360	
July 1, 2010	7.20%	<u>10,360</u>	<u>360</u>	<u>10,000</u>
		<u>\$ 57,900</u>	<u>\$ 12,900</u>	<u>\$ 45,000</u>

<u>PRIOR REDEMPTION</u>	After July 1, 2001, bonds are subject to optional redemption in whole or in part at a premium.
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CITY OF POTTERVILLE, MICHIGAN

1991 SPECIAL ASSESSMENT BONDS - SERIES B

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	1991 Series B, Special Assessment Bonds		
<u>PURPOSE</u>	Construct Storm Drain		
<u>DATE OF ISSUE</u>	June 1, 1991		
<u>AMOUNT OF ISSUE</u>		\$	330,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Period	\$	190,000	
During Current Period		<u>20,000</u>	<u>210,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2004			<u>\$ 120,000</u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
January 1, 2005	7.00%	\$ 4,265	\$ 4,265	
July 1, 2005	7.00%	24,265	4,265	\$ 20,000
January 1, 2006	7.10%	3,575	3,575	
July 1, 2006	7.10%	23,575	3,575	20,000
January 1, 2007	7.10%	2,865	2,865	
July 1, 2007	7.10%	22,865	2,865	20,000
January 1, 2008	7.15%	2,155	2,155	
July 1, 2008	7.15%	22,155	2,155	20,000
January 1, 2009	7.20%	1,440	1,440	
July 1, 2009	7.20%	21,440	1,440	20,000
January 1, 2010	7.20%	720	720	
July 1, 2010	7.20%	<u>20,720</u>	<u>720</u>	<u>20,000</u>
		<u>\$ 150,040</u>	<u>\$ 30,040</u>	<u>\$ 120,000</u>

<u>PRIOR REDEMPTION</u>	After July 1, 2001, bonds are subject to optional redemption in whole or in part at a premium.
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CITY OF POTTERVILLE, MICHIGAN

SUNSET HILLS SPECIAL ASSESSMENT BONDS

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	Sunset Hills Special Assessment Bonds
<u>PURPOSE</u>	Construct Sewer Lift Station
<u>DATE OF ISSUE</u>	November 27, 1997
<u>AMOUNT OF ISSUE</u>	\$ 400,000
<u>AMOUNT REDEEMED</u>	
Prior to Current Period	\$ 135,000
During Current Period	<u>25,000</u>
	<u>160,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2004	<u>\$ 240,000</u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
October 1, 2004	5.400%	\$ 36,518	\$ 6,518	\$ 30,000
April 1, 2005	5.400%	5,708	5,708	
October 1, 2005	5.400%	35,708	5,708	30,000
April 1, 2006	5.400%	4,898	4,898	
October 1, 2006	5.400%	34,898	4,898	30,000
April 1, 2007	5.450%	4,088	4,088	
October 1, 2007	5.450%	34,088	4,088	30,000
April 1, 2008	5.450%	3,270	3,270	
October 1, 2008	5.450%	33,270	3,270	30,000
April 1, 2009	5.450%	2,453	2,453	
October 1, 2009	5.450%	32,453	2,453	30,000
April 1, 2010	5.450%	1,635	1,635	
October 1, 2010	5.450%	31,635	1,635	30,000
April 1, 2011	5.450%	818	818	
October 1, 2011	5.450%	30,818	818	30,000
		<u>\$ 292,258</u>	<u>\$ 52,258</u>	<u>\$ 240,000</u>

PRIOR REDEMPTION

Bonds of this issue, maturing the years 1997 to 2007, inclusive, are not subject to redemption prior to maturity. After October 1, 2007, but prior to October 1, 2008, bonds are subject to optional redemption in whole or in part at a premium of 1% of par value. After October 1, 2008, bonds are subject to optional redemption in or in part at par value.

CITY OF POTTERVILLE, MICHIGAN

1993 BUILDING AUTHORITY BONDS

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	1993 Building Authority Bonds
<u>PURPOSE</u>	Construct Recreational Facilities
<u>DATE OF ISSUE</u>	November 1, 1993
<u>AMOUNT OF ISSUE</u>	\$ 400,000
<u>AMOUNT REDEEMED</u>	
Prior to Current Period	\$ 120,000
During Current Period	<u>20,000</u>
	<u>140,000</u>
<u>BALANCE OUTSTANDING - June 30, 2004</u>	<u>\$ 260,000</u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2004	5.00%	\$ 27,051	\$ 7,051	\$ 20,000
May 1, 2005	5.15%	6,551	6,551	
November 1, 2005	5.15%	26,551	6,551	20,000
May 1, 2006	5.25%	6,036	6,036	
November 1, 2006	5.25%	26,036	6,036	20,000
May 1, 2007	5.40%	5,511	5,511	
November 1, 2007	5.40%	30,511	5,511	25,000
May 1, 2008	5.50%	4,836	4,836	
November 1, 2008	5.50%	29,836	4,836	25,000
May 1, 2009	5.50%	4,149	4,149	
November 1, 2009	5.50%	29,149	4,149	25,000
May 1, 2010	5.50%	3,461	3,461	
November 1, 2010	5.50%	33,461	3,461	30,000
May 1, 2011	5.55%	2,636	2,636	
November 1, 2011	5.55%	32,636	2,636	30,000
May 1, 2012	5.55%	1,804	1,804	
November 1, 2012	5.55%	31,804	1,804	30,000
May 1, 2013	5.55%	971	971	
November 1, 2013	5.55%	35,971	971	35,000
		<u>\$ 338,961</u>	<u>\$ 78,961</u>	<u>\$ 260,000</u>

CITY OF POTTERVILLE, MICHIGAN

1993 BUILDING AUTHORITY BONDS

JUNE 30, 2004

PRIOR REDEMPTION

From November 1, 2004-2005, bonds are subject to optional redemption in whole or in part at a premium. After November 1, 2005, bonds are subject to optional redemption in whole or in part at par value.

CITY OF POTTERVILLE, MICHIGAN

1994 BUILDING AUTHORITY BONDS

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	1994 Building Authority Bonds
<u>PURPOSE</u>	Construct Recreational Facilities
<u>DATE OF ISSUE</u>	July 1, 1994
<u>AMOUNT OF ISSUE</u>	\$ 400,000
<u>AMOUNT REDEEMED</u>	
Prior to Current Period	\$ 100,000
During Current Period	<u>20,000</u>
	<u>120,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2004	<u>\$ 280,000</u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2004	5.70%	\$ 28,475	\$ 8,475	\$ 20,000
May 1, 2005	5.80%	7,905	7,905	
November 1, 2005	5.80%	27,905	7,905	20,000
May 1, 2006	5.90%	7,325	7,325	
November 1, 2006	5.90%	27,325	7,325	20,000
May 1, 2007	6.00%	6,735	6,735	
November 1, 2007	6.00%	26,735	6,735	20,000
May 1, 2008	6.00%	6,135	6,135	
November 1, 2008	6.00%	31,135	6,135	25,000
May 1, 2009	6.10%	5,385	5,385	
November 1, 2009	6.10%	30,385	5,385	25,000
May 1, 2010	6.10%	4,623	4,623	
November 1, 2010	6.10%	29,623	4,623	25,000
May 1, 2011	6.10%	3,860	3,860	
November 1, 2011	6.10%	33,860	3,860	30,000
May 1, 2012	6.20%	2,945	2,945	
November 1, 2012	6.20%	32,945	2,945	30,000
May 1, 2013	6.20%	2,015	2,015	

CITY OF POTTERVILLE, MICHIGAN

1994 BUILDING AUTHORITY BONDS

JUNE 30, 2004

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2013	6.20%	32,015	2,015	30,000
May 1, 2014	6.20%	1,085	1,085	
November 1, 2014	6.20%	36,085	1,085	35,000
		<u>\$ 384,501</u>	<u>\$ 104,501</u>	<u>\$ 280,000</u>

PRIOR REDEMPTION

From November 1, 2004 through October 31, 2006, bonds are subject to optional redemption in whole or in part at a premium. After November 1, 2006, and thereafter, bonds are subject to optional redemption in whole or in part at par value.

CITY OF POTTERVILLE, MICHIGAN

1994-2 BUILDING AUTHORITY BONDS

JUNE 30, 2004

TITLE OF ISSUE 1994-2 Building Authority Bonds

PURPOSE Construct Recreational Facilities

DATE OF ISSUE November 1, 1994

AMOUNT OF ISSUE \$ 215,000

AMOUNT REDEEMED

Prior to Current Period	\$ 45,000	
During Current Period	<u>10,000</u>	<u>55,000</u>

BALANCE OUTSTANDING - June 30, 2004 \$ 160,000

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2004	6.65%	\$ 15,650	\$ 5,650	\$ 10,000
May 1, 2005	6.75%	5,318	5,318	
November 1, 2005	6.75%	15,318	5,318	10,000
May 1, 2006	6.95%	4,980	4,980	
November 1, 2006	6.95%	14,980	4,980	10,000
May 1, 2007	7.05%	4,633	4,633	
November 1, 2007	7.05%	14,633	4,633	10,000
May 1, 2008	7.05%	4,280	4,280	
November 1, 2008	7.05%	19,280	4,280	15,000
May 1, 2009	7.10%	3,751	3,751	
November 1, 2009	7.10%	18,751	3,751	15,000
May 1, 2010	7.10%	3,219	3,219	
November 1, 2010	7.10%	18,219	3,219	15,000
May 1, 2011	7.15%	2,686	2,686	
November 1, 2011	7.15%	17,686	2,686	15,000
May 1, 2012	7.15%	2,150	2,150	
November 1, 2012	7.15%	22,150	2,150	20,000

CITY OF POTTERVILLE, MICHIGAN

1994-2 BUILDING AUTHORITY BONDS

JUNE 30, 2004

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2013	7.15%	1,435	1,435	
November 1, 2013	7.15%	21,435	1,435	20,000
May 1, 2014	7.20%	720	720	
November 1, 2014	7.20%	20,720	720	20,000
		<u>\$ 231,994</u>	<u>\$ 71,994</u>	<u>\$ 160,000</u>

PRIOR REDEMPTION

From November 1, 2004 through October 31, 2006, bonds are subject to optional redemption in whole or in part at a premium. After November 1, 2006, and thereafter, bonds are subject to optional redemption in whole or in part at par value.

CITY OF POTTERVILLE, MICHIGAN

MICHIGAN DEPARTMENT OF TRANSPORTATION NOTE

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	Michigan Department of Transportation Note		
<u>PURPOSE</u>	Construction of a Turning Lane		
<u>DATE OF ISSUE</u>	April 14, 1999		
<u>AMOUNT OF ISSUE</u>		\$	35,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Period	\$	18,817	
During Current Period		<u>5,184</u>	<u>24,001</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2004			<u>\$ 10,999</u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
April 1, 2005	4.00%	\$ 5,831	\$ 440	\$ 5,391
April 1, 2006	4.00%	<u>5,832</u>	<u>224</u>	<u>\$ 5,608</u>
		<u>\$ 11,663</u>	<u>\$ 664</u>	<u>\$ 10,999</u>

CITY OF POTTERVILLE, MICHIGAN

2002 WATER CONSTRUCTION BONDS

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	2002 General Obligation Limited Tax Bonds		
<u>PURPOSE</u>	Construct Water Well		
<u>DATE OF ISSUE</u>	November 1, 2002		
<u>AMOUNT OF ISSUE</u>		\$	700,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Period	\$	0	
During Current Period		<u>15,000</u>	<u>15,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2004			<u>\$ 685,000</u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
October 1, 2004	7.00%	\$ 32,110	\$ 17,110	\$ 15,000
April 1, 2005	7.00%	16,585	16,585	
October 1, 2005	7.00%	31,585	16,585	15,000
April 1, 2006	7.00%	16,060	16,060	
October 1, 2006	7.00%	36,060	16,060	20,000
April 1, 2007	7.00%	15,360	15,360	
October 1, 2007	7.00%	35,360	15,360	20,000
April 1, 2008	7.00%	14,660	14,660	
October 1, 2008	7.00%	34,660	14,660	20,000
April 1, 2009	7.00%	13,960	13,960	
October 1, 2009	7.00%	38,960	13,960	25,000
April 1, 2010	7.00%	13,085	13,085	
October 1, 2010	7.00%	38,085	13,085	25,000
April 1, 2011	7.00%	12,210	12,210	
October 1, 2011	7.00%	42,210	12,210	30,000
April 1, 2012	6.50%	11,160	11,160	
October 1, 2012	6.50%	41,160	11,160	30,000
April 1, 2013	4.20%	10,185	10,185	
October 1, 2013	4.20%	45,185	10,185	35,000

CITY OF POTTERVILLE, MICHIGAN

2002 WATER CONSTRUCTION BONDS

JUNE 30, 2004

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
April 1, 2014	4.20%	9,450	9,450	
October 1, 2014	4.20%	44,450	9,450	35,000
April 1, 2015	4.20%	8,715	8,715	
October 1, 2015	4.20%	48,715	8,715	40,000
April 1, 2016	4.20%	7,875	7,875	
October 1, 2016	4.20%	52,875	7,875	45,000
April 1, 2017	4.20%	6,930	6,930	
October 1, 2017	4.20%	51,930	6,930	45,000
April 1, 2018	4.20%	5,985	5,985	
October 1, 2018	4.20%	55,985	5,985	50,000
April 1, 2019	4.20%	4,935	4,935	
October 1, 2019	4.20%	59,935	4,935	55,000
April 1, 2020	4.20%	3,780	3,780	
October 1, 2020	4.20%	58,780	3,780	55,000
April 1, 2021	4.20%	2,625	2,625	
October 1, 2021	4.20%	62,625	2,625	60,000
April 1, 2022	4.20%	1,365	1,365	
October 1, 2022	4.20%	66,365	1,365	65,000
		<u>\$ 1,051,960</u>	<u>\$ 366,960</u>	<u>\$ 685,000</u>

PRIOR REDEMPTION

Bonds maturing on or before October 1, 2011 are not subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 maturing on or after October 1, 2012 shall be subject to redemption without a premium, at the option of the City, in such order as the City shall determine and within any maturity by lot, on any interest payment date on or after October 1, 2011, at par and accrued interest to the date fixed for redemption.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 14, 2005

City of Potterville
319 N. Nelson Street
Potterville, Michigan

Dear Mayor, Council Members, City Manager and Staff:

We have completed our audit of the financial statements of the City of Potterville, Michigan, and are communicating to you our findings and recommendations for the year ended June 30, 2004. As you know our services with the City commenced in June 2004, and have included bank reconciliations for 2003 to allow the State of Michigan to complete the June 2003 audit, communications with the state to release your June 2002 audit and Highway Act 51 funds. In addition, services of accounting for the City's capital assets including infrastructure of major and local streets and working with and assisting your personnel with the basic concepts of improving various accounting procedures of the City were completed.

We realize your frustration in how long it takes to get answers to some basic questions of the City's accounting matters. This has been caused by several factors, but mainly the inability to timely reconcile the many bank accounts of the City. This has also been caused by the turnover of personnel and the need to train new ones. In the last six months there has been a significant investment of time, effort, learning, and money spent trying to catch up the three year time frame, the City was behind.

We commend the efforts of Bob, Karen, Steve, Donna, and your temporary employee Nina in assisting in this catch up process. Please review the following comments and recommendations in light of the progress and efforts which have been put forth.

Condition of Accounting Records

The accounting records were in a disorganized state when we examined them. It took considerable time and effort to locate supporting documentation for items we were examining. Keeping the accounting records neat and orderly is one method of strengthening internal control.

Budgetary Accounting

The legal budget for each fund was found to be adopted and amended according to the requirements set forth by the State of Michigan. We feel the city staff did a good job of budgeting considering the limited information which was available.

Bank Accounts

The bank accounts of the City had not been reconciled since July 31, 2002. Reconciling the bank accounts is integral to maintaining good internal controls. Nina did an excellent job in assisting the

City in getting the bank reconciliations for 2004 caught up in a very short timeframe. We trust she can train the City Clerk to timely maintain the City's many accounts.

State of Michigan Audit for Fiscal year 2003

The audit recently completed by the State of Michigan Audit Division for Fiscal Year 2003 indicated an "immaterial" audit difference of \$13,776.90 in the common bank account. Their figures indicate that cash is overstated on the books by this amount. When asked how they were going to handle this, they stated that it was the City's problem and therefore the City should handle it. After consulting with us, the City decided to expense this amount in Fiscal Year 2004 and reduce the cash balance of the Water Fund.

Due To and From Funds

The due to other funds and the due from other funds accounts were not in balance when we examined them. Furthermore, these accounts need to be split by fund to allow proper balancing. It took considerable time and effort to split and reconcile these accounts by fund.

TIFA Audit Report

The audit timing for the TIFA audit report and the City needs to be coordinated in such a way that the TIFA report is available prior to the City's audit. This is the case because the City's audit report can not be completed without the TIFA report. In the future it is recommended that the TIFA report be available by October 1st or earlier. Please inform the TIFA Board of the need to change their audit timing for 2005.

Special Assessments

The accounting for the special assessments was found to be inaccurate. The payment activity recorded by the City in subsidiary records did not agree with the payment activity recorded in the general ledger. The special assessments revenue and the receivables should be reconciled from the subsidiary records to the general ledger on a regular basis.

Sunset Hills Special Assessment Fund

Assessments are being paid off early by the developer and the property owners. These funds can not be re-invested at the same rate of interest as was being earned on the special assessment roll. The result is that there will not be enough funds available to pay off the bond issue.

Additionally, not enough interest was being charged on the special assessment. Sunset Hills Special Assessment Resolution No. 4 adopted by the City on January 20, 1997 states that interest shall be charged at a rate equal to one percent (1%) above the rate of interest borne by the bonds. The bonds bear interest rates of 5.4% through 5.45%. The interest rates charged by the special assessment should be 6.4% through 6.45%. We determined that the City was actually charging 5.95% through 6.14%. While the difference may seem small, it means that not enough has been collected to cover the future bond payments.

Equipment Pool Fund

This fund was set up to buy and rent equipment to the other funds of the City. As an internal service fund it's only way to pay for maintenance, insurance and other operating expenses is to be paid for each hour of equipment use. For this reason it is important that all usage be logged by the City's DPQ Employees. We recommend only equipment be purchased by this fund.

Storm Drain Debt Special Assessment Fund

On the 2003 tax roll 43 parcels were not assessed for this special assessment. Therefore, there were no payments received for these parcels. The City did not receive \$1,541 of principal and \$821 of interest that were due to the City. The City should adjust the receivables for the parcels not assessed accordingly.

Liability Insurance

Liability insurance expense was being allocated amongst the funds using unrealistic percentages. After discussions with management the expense was re-allocated based on composite percentages calculated from 2003 actual results and the 2004 budget.

Michigan Unemployment Reports

It was determined that no Michigan Unemployment reports have been filed since the quarter ending September 30, 2003. The result is that there will be an additional liability to the City for unemployment taxes applicable to Fiscal Year 2004. It is recommended that the City file the necessary reports as soon as possible.

Investment of Idle Funds

From time to time the City should consider investing funds that are not required for immediate needs in short-term investments to take advantage of interest income. For example, we noticed that interest income in the General Fund in 2003 was \$8,392 and interest income in the General Fund for 2004 was \$1,423. Also, interest income in the Special Revenue Funds in 2003 was \$2,170 while in 2004 interest income in the Special Revenue Funds was \$1,326. A similar situation exists in the Water and Sewer Funds. Water and Sewer earned \$3,665 in 2003 and in 2004 just \$271.

New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for city financial statements. For the City of Potterville these changes were implemented in the June 30, 2004 financial audit.

Some of the more significant changes required by GASB 34 are as follows:

- a) Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.

- b) Several new types of financial statements are now included that reports financial information on a City wide basis and incorporates capital assets, a provision for depreciation on those assets as well as long-term liabilities of the City.

We commend the City for their diligent efforts and assistance necessary to implement these rather radical changes as required by this new reporting pronouncement.

Reportable Condition of Internal Controls

In planning and performing our audit of the financial statements of the City of Pottersville for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

The relatively small number of people involved in the accounting functions of the City make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the City Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness.

The foregoing is a communication which is required by Statement on Auditing Standards Number 60. However, we realize that it might not be feasible for the City Council to establish a larger accounting staff in order to implement additional segregation of duties.

We wish to thank the council for the opportunity to be of service. If we can be of further service in implementing any of the above recommendations, we would be glad to work with the staff and administration. If you have any questions on the above or any other matters, please contact us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.